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BUSINESS

Real Estate by Christie Smythe: Housing-reform law offers hope for rebound

Real Estate by Christie Smythe

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With the market slowdown wearing on, real estate, home-building and lending professionals in Tucson are pinning hopes for a turnaround on a recently passed federal housing-stimulus package.

The wide-ranging bill, signed into law July 30, encompasses a slew of incentives and reforms aimed at helping the housing industry out of its slump. Among them are a potential \$7,500 tax credit for first-time buyers, money for the rehabilitation of foreclosed properties and a variety of changes to Federal Housing Administration-insured loans.

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Southern Arizona Home Builders Association President Ed Taczanowsky said the stimulus measures not only will help the local market, they also serve as a sign that it's approaching a turning point.

"When the federal government steps in and puts a huge amount of money into the housing market, that signals to me that we are near the bottom," Taczanowsky said.

In June, the number of sales was down about 25 percent compared with a year earlier, said a report from the Tucson Association of

Realtors Multiple Listing Service. Both the median and average sale prices showed drops of more than 10 percent compared with June 2007. The median sat at \$200,000 in Tucson in June, the Realtors' report said.

Meanwhile, monthly new-home-start numbers have plunged this year to levels not seen since the early 1990s, according to local research firm Bright Future Business Consultants.

The tax credit alone might do wonders for helping to get would-be buyers off the sidelines, said Colin Zimmerman, spokesman for the Tucson Association of Realtors.

"Basically, it will lower the effective cost of your home by \$7,500," he said. "I don't see why everyone isn't taking advantage of it."

As with all government initiatives, however, there are a few kinks — namely that the tax credit is actually an interest-free loan, intended to be repaid by the buyer over 15 years. The bill does not specify how the loan payments will be collected, said Megan Booth, senior policy representative for the National Association of Realtors. That will likely be determined by future regulations, she said.

Rita Thomson-Zurita, president of the Southern Chapter of the Arizona Association of Mortgage Brokers, said in an e-mail that she wishes the tax credit were available to other buyers.

Also "some first-time home buyers have other issues which a tax credit will not help," she said, such as credit scores.

Thomson-Zurita said she is also concerned about a provision eliminating down-payment assistance from sellers for FHA loans.

The law may not be a total fix for the market, but it's a good start, said Tom Heath, vice president of advocacy for the Southern Arizona Mortgage Lenders Association.

"Anything that's going to keep homes out of inventory and out of foreclosure is going to benefit us," he said. "To what extent, I'm not sure."

• Christie Smythe covers real estate for the Star and writes a weekly column on the industry. Send news about commercial and residential real estate to her at Business, Arizona Daily Star, P.O. Box 26807, Tucson, AZ 85726; fax to 573-4144; or e-mail to csmythe@azstarnet.com.

WHAT HOUSING LAW DOES

Here is some of what the new law does, as compiled by the National Association of Realtors:

- Provides for a tax credit of up to \$7,500 for qualifying first-time buyers if they purchase homes between April 9, 2008, and June 30, 2009. The credit must be repaid over 15 years.
- Makes the FHA loan-limit increase permanent — up to either \$271,050 or 115 percent of an area's median price.
- Requires FHA buyers to make a 3.5 percent, rather than 3 percent, down payment. Starting Oct. 1, sellers will no longer be able to contribute the down payment, although they can still pay buyers' closing costs. Buyers can still find down payments from other sources, including home-buyer-assistance programs or friends and family.
- Provides for an FHA foreclosure rescue program for subprime borrowers, starting Oct. 1. Borrowers would be able to exchange certain subprime loans for FHA-insured, fixed-rate loans but would have to share half of all future appreciation with FHA.
- Temporarily boosts loan limits for the Department of Veterans Affairs to a maximum of \$729,750 in some areas.
- Establishes a new regulator for mortgage-buyers Fannie Mae and Freddie Mac.
- Provides \$4 billion in neighborhood revitalization funds to buy foreclosed homes and establishes a trust fund to develop affordable housing.
- Requires the licensing of loan officers.

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