

Clock ticking on homebuyer tax credits

Austin market will keep rebounding even after credits expire, economist predicts.

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Amy and Jason Rask now own their first house, thanks to a federal tax credit for homebuyers.

The Rasks paid \$136,000 for a two-story house in Round Rock with three bedrooms and a swimming pool. A neighborhood playground backs up to their backyard, and their daughter Ava, 11/2, attends the Montessori school down the street.

"We're very proud of it," Amy Rask said. "Had the tax credit not been available, we would never have considered shopping for a home at this stage. The tax credit was our primary motivating factor."

Last week, Amy Rask said, they received their tax refund check from the Internal Revenue Service for about \$8,900, which included the \$8,000 credit for first-time buyers.

But time is running out for buyers to take advantage of the credit. They must have a house under contract by April 30 and close by June 30 to qualify.

First-time buyers may qualify for up to \$8,000, and move-up buyers could get as much as \$6,500.

The tax credit began being offered in January 2009 for first-time buyers only. Congress extended it last fall and added people who already own homes. There's no talk of another extension.

But even without the credit, the local housing market should be able to stand on its own, experts say.

Credit's local impact

"The Texas economy is slowly rebounding from the recession, and Austin's housing market should benefit as the employment situation improves," said D'Ann Peterson, an economist with the Federal Reserve Bank of Dallas. "It may be a bumpy and slow recovery, but it does appear to be a recovery, and that is a good sign."

Dominique Davalos, an agent with JB Goodwin Realtors, said that "between the Austin market strengthening and the seasonal increase that occurs every year at this time, our sales should be able to remain steady or even grow."

The first incarnation of the credit helped catapult hundreds of thousands of first-time buyers into the market across the country. In Central Texas, there's evidence the second version could be helping, too.

Pending sales in February — those scheduled to close this month — were up 24 percent from a year ago, according to the Austin Board of Realtors.

However, local mortgage consultant Kenton Brown thinks that increase is due mostly to low mortgage interest rates, improved optimism about the economy and an earlier-than-usual boost from the spring buying season.

"I don't know that the second-time credit has made that much of an impact," said Brown, the vice president of Sente Mortgage, an Austin-based mortgage banker. "Some are taking advantage of it, but it's not the prime mover."

Brown said the first-time buyer credit did have a "trickle-up" effect, stimulating enough activity for existing homeowners to be able to move up.

Helen Edwards, president and chief operating officer for the Austin region of Coldwell Banker United, also said that "the primary reason for home-selling/buying decisions remains centered around 'life events' and not the tax credit."

In addition, concern about whether mortgage interest rates, now hovering around 5 percent, will rise as the economy recovers "also has some buyers making a decision to move forward now," she said.

But Davalos said the tax credit was "definitely" the impetus to buy for some of her clients — such as Jay Moeller, drummer for the Fabulous Thunderbirds. Moeller's pending purchase of a \$140,000 foreclosure home on a quarter-acre in East Austin was spurred by the credit, Davalos said.

Pushing sales forward.

The Rasks had been renting a three-bedroom condominium in Pflugerville last year when the tax credit launched their home search earlier than they had planned.

"We wanted a house" but were "a good way" from saving enough for a down payment, Amy Rask said, but when they heard about the tax credit, "it definitely made us ready."

Amy, 28, is the research manager at the Media Panel, a research firm that conducts pilot testing for television shows for major TV networks. Jason, 27, is a security officer at the University of Texas.

Amy Rask said she and her husband plan to use part of their tax-credit refund to repay her parents, who helped with the down payment, and save the rest for a kitchen renovation and other work.

Peterson, with the Federal Reserve, said she expects sales will be "pushed forward" as the tax-credit expiration date approaches.

Last fall, Peterson said the first-time buyer credit was probably the main driver behind a 38 percent increase in Austin-area home sales in October, noting that "we may be accelerating sales that would have occurred in the spring."

However, both before and after the credit ends, "the figures will be murky as to what the true level of demand is," Peterson said.

What happens in the coming months will be more telling of the health of the local market, she said, as well as other Texas markets and the nation.

"In Austin, sales are up from year-ago levels, and the inventory is not out of line. Plus job growth has picked up, and that does bode well for the future," Peterson said.

Courtesy of JB Goodwin