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Realtors touting state program

\$500M fund picks up where feds left off

Austin Business Journal - by [Francisco Vara-Orta](#) ABJ Staff

With the federal tax credit for first-time homebuyers having expired in April, Realtors and mortgage lenders in Texas hoping to maintain the pace of home sales are looking for help from a new agent of sorts — Bond 77.

That's the name of a new program, launched this month by the Texas Department of Housing and Community Affairs, under which the department is making \$500 million available to eligible homebuyers for mortgage loan assistance — either through down payment assistance or by facilitating a lower interest rate. The Bond 77 program is part of the state's ongoing first-time homebuyer program.

"It's the single-largest financing initiative for state homebuyer funds in the 27-year history of the program and serves as the state's response to the recent expiration of the federal homebuyer tax credit," said Gordon Anderson, a spokesman for the Department of Housing and Community Affairs.

The state is now making available the first \$50 million of the \$500 million, which state officials said will be distributed on a first-come-first-served basis. It's anticipated that it will take 18 months to expend the program's total amount. And once it's gone, it's gone, Anderson said.

Targeting low- to middle-income homebuyers, interest rates on the 30-year, fixed-rate mortgages by lenders in the program are either 4.99 percent or 5.74 percent. The loans featuring the higher interest rate come with down-payment and closing-cost assistance — up to 5 percent of the mortgage amount — in the form of a second lien, 30-year, 0 percent interest loan. Although no monthly payments are required on this second lien, the amount of assistance is due in full when the home is sold or refinanced, or when the first lien mortgage is repaid.

In some cases, the value of the assistance may exceed the recently expired federal tax credit. In a hypothetical example involving a \$200,000 home in Austin, lender **Leahy & Associates** estimated the Bond 77 assistance would total \$9,867.

"It's something I'm starting to use in my sales pitches," said Celeste Hare, a Realtor with Team Ensor of Sky Realty. "It's not a silver bullet, but if you have a first-time buyer who is really strapped for cash, it's worth the time to check this program out."

Mortgage loans are available to qualified Texans through a network of over 45 participating lending institutions with more than 235 branches located throughout the state. Promotion and awareness has been scarce, as the state is relying on mortgage lenders to educate Realtors so they, in turn, can inform homebuyers about the program.

At least two Austin home mortgage lenders, Leahy & Associates and John McClellan of the Austin branch of Supreme Lending, independently of each other, have been reaching out to Realtors with webinars and radio segments to educate them on tapping into the new program.

“This is going to be huge because it will help get people into homes without having to pay a big down payment, which can dissuade them from getting a home even if they can afford the monthly payments because the down payment is just not within complete reach,” said Ryan Leahy, a partner of Leahy & Associates.

McClellan said one advantage of the program is that it isn't only for first-time homebuyers, but also for existing homeowners looking to buy a home in the state's targeted areas, which include areas in six census tracts throughout Austin where revitalization is sought. In such zones, participating homebuyers can have higher incomes and buy more expensive homes to spur home sales in areas that are more in need of moving homes off the market.

Austin home sales continued to rise last month, up 31 percent compared with April 2009, according to statistics released last week by the **Austin Board of Realtors**. Home sales for the month totaled \$486 million with 2,043 single-family homes sold, according to the Multiple Listing Service report. When compared with April 2009, the median price was unchanged in Austin, at \$190,700.

“Financing is the obvious challenge in keeping sales moving upward, so this is a badly needed boost,” said John Horton, president of the Austin Board of Realtors.

Courtesy of JB Goodwin