

Real Estate eNews

Home-buying Incentives Proliferate

With interest rates low and federal, state, city and lender help available, 2010 will be another good year for those ready to enter the home-buying market.

For first-time buyers, the \$8,000 federal tax credit has been extended through April 30 of 2010.



The Federal Housing Authority (FHA) also offers a program for first-time buyers which requires a down payment of only 3.5% of the purchase price, with most of the closing costs and fees included in the loan. This program is available on single-family homes and multi-unit properties with up to four units.

For homeowners willing to consider life in rural America, the U.S. Department of Agriculture's Rural Development program is helping families finance homes in outlying areas. The USDA Rural Development offers guaranteed and direct single-family home loans to eligible residents who are unable to secure a conventional loan. Down payments are not required, and payments are based on the borrower's income.

Further information on rural programs is available at a local USDA Rural Development office or by visiting USDA Rural Development's website at www.rurdev.usda.gov.



State, city, non-profit and neighborhood associations are among other entities offering help to first-time buyers.

In June, California reinstated a down payment assistance loan program and special loans (through approved, private lenders) for homes owned by the California Housing Authority. More information is available on the state's website. In some cases, down payment assistance is offered through a deferred-payment secondary loan of up to 3 percent of the purchase price of most homes (and up to 5 percent for homes in certain areas).

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In Washington, D.C., not-for-profits have teamed up with banks to offer special deals for buyers, such as Manna Mortgage's Corporations' \$3000 rebate to be used for closing costs. In addition, D.C. has a first-time homebuyer tax credit of up to \$5,000. There is also a five-year, property-tax abatement program, and a recording and transfer tax credit that can go toward closing costs.

In Illinois, the Greater Chicago Housing and Community Development website lists close to two hundred agencies and programs offering help to home buyers.



For example, in Chicago, the city's TaxSmart program provides a tax credit equivalent to 20% of the interest paid on a mortgage for first-time buyers and buyers who purchase in targeted areas.

Many cities throughout the U.S. have recently implemented or increased assistance programs for first-time homebuyers. Some offer a forgivable loan up to a maximum of \$10,000 towards closing costs, down payment assistance, and other associated costs. Other programs, such as a gift of 4.25% of the home's purchase price to be used toward the down payment and mortgage origination fees may attract buyers to a particular area.

Researching mortgage incentives can be done quickly using the internet and plugging in key words like "first time home buyer mortgage assistance" and the city and/or state the buyer is interested in.



While researching, don't forget the seller, builder and lender, because each can provide incentives to make a more attractive buying package. In the past, most sellers didn't finance homes, or didn't finance the entire mortgage. But with changes in the real estate market, that is the experience of some buyers today.