

# Opportunity Knocks for Home Buyers

Homeownership is an important part of the American way of life, and there may never be a better time to buy than today.



National Association of Home Builders

# Outstanding Opportunities



Now that the tax credits for first-time and repeat home buyers have expired,\* many people are wondering if this is a good time to buy a home.

**The answer is easy: Yes.** It's a very good time to purchase a home. The recession is in retreat, and even though housing is on the mend, it's still a buyer's market. Moreover, Congress has made it clear that the home buyer tax credits are gone for good and will not be renewed.

Even without the tax credits, there are many opportunities in today's market including affordable prices, low mortgage rates and great new homes. But market conditions can change, and these opportunities may not be around for long, so home buyers shouldn't wait.

## Great Selection

An excellent selection of homes on the market makes today a very good time to buy. A plentiful inventory

provides a great choice of homes, and many builders have brand new homes that are "move-in ready."

Additionally, many owners of existing homes who postponed trading up or downsizing due to market conditions are now ready to sell. And as employment improves, the number of relocations will increase, bringing more homes into the market.

## Attractive Pricing

If there's a silver lining to the recession and the housing downturn, it's that homes in many markets are more affordable. Prices in some areas have moderated significantly, especially in major markets where they increased the most during the housing boom that occurred in most of the country.

## How Interest Rates Affect Mortgage Payments

Monthly Principal and Interest on a 30-Year, Fixed-Rate \$150,000 Mortgage

| Interest Rate | Monthly Principal and Interest |
|---------------|--------------------------------|
| 4.0%          | \$716.12                       |
| 4.5%          | \$760.03                       |
| 5.0%          | \$805.23                       |
| 5.5%          | \$851.68                       |
| 6.0%          | \$899.33                       |
| 6.5%          | \$948.10                       |
| 7.0%          | \$997.95                       |

Principal and interest only. Does not include taxes, insurance, PMI and other fees and charges.

\*Qualified buyers who had a binding contract in force by April 30, 2010, have until June 30, 2010, to complete their purchase.

Qualified members of the military, foreign service and intelligence communities who were on official extended duty outside of the United States for at least 90 days between January 1, 2009, and April 30, 2010, may qualify for a one-year extension of the tax credits. Go to [FederalHousingTaxCredit.com](http://FederalHousingTaxCredit.com) for more information.



## Low Interest Rates

Like inventory and pricing, mortgage interest rates are still at very favorable levels, but rates are sensitive

to market forces and can change quickly. There's no indication that rates will suddenly surge upward, but even a slight rate increase can push monthly payments to the point that a buyer might miss out on their first choice for a new home.

Prospective home buyers also should be aware that lenders are looking more closely at borrowers today than in recent years. To ensure that the process goes smoothly, buyers should consider pre-qualifying for a mortgage and having financing in place before shopping for a new home. Buyers also may find that some home builders have arranged favorable financing for their customers or offer financial incentives.

## Greener and Better

With energy costs near the top of consumer concerns, it's good to know that new homes can be more energy efficient than ever. Innovative materials

and construction techniques mean that today's new homes are built to be much more energy efficient than homes constructed a generation ago. Not only can they be more affordable to operate, new homes also are significantly more resource-efficient and environmentally friendly.

## Designed With Buyers in Mind

Designed to accommodate today's busy lifestyles, new homes feature open floorplans, flexible spaces, improved safety features, low-maintenance materials and other amenities that make them more appealing than ever before.

And in many areas, prospective home buyers who wish to live in age-qualified communities for those 55 and older will find a large selection of homes tailored to the evolving lifestyles of the baby boom generation.

| Mortgage Amount               |          |          |           |           |
|-------------------------------|----------|----------|-----------|-----------|
| \$300,000                     |          |          | \$ 22,047 | \$ 25,741 |
| 250,000                       |          | \$10,654 | 17,757    | 21,451    |
| 200,000                       |          | 8,080    | 13,467    | 17,160    |
| 180,000                       | \$ 5,939 | 7,050    | 11,751    | 15,444    |
| 160,000                       | 4,909    | 6,021    | 10,034    | 13,728    |
| 140,000                       | 3,880    | 4,991    | 8,318     | 12,012    |
| 120,000                       | 2,850    | 3,961    | 6,602     | 10,296    |
| 100,000                       | 1,820    | 2,932    | 4,886     | 8,580     |
| 80,000                        | 791      | 1,902    | 3,170     | 6,864     |
| <b>Borrower Income</b>        | 60,000   | 80,000   | 100,000   | 150,000   |
| <b>Average Taxable Income</b> | 35,937   | 54,455   | 74,455    | 120,247   |
| <b>Interest Rate</b>          | 5.50%    | 5.50%    | 5.50%     | 5.50%     |
| <b>Marginal Tax Rate</b>      | 15%      | 15%      | 25%       | 25%       |

\*Home owners who qualified for and received the \$8,000 tax credit for first-time home buyers or the \$6,500 tax credit for repeat home buyers will realize greater tax savings during the first five years of homeownership.

## Typical Federal Income Tax Savings During First Five Years of Homeownership

FILING STATUS: Married couples filing jointly.

TAX RATES: In effect during calendar year 2010.

INTEREST RATE: Average for 30-year fixed-rate mortgages in 2010. (NAHB forecast)

AVERAGE TAXABLE INCOME: Borrower income minus average personal exemptions and itemized deductions. (Data from IRS Statistics of Income)

# Benefits for Buyers

Homeownership also provides important benefits to owners.

## Tax Benefits:

### For Home Owners Only

Unique tax benefits that apply only to housing help lower the cost of homeownership. Both mortgage interest and property taxes are deductible. Moreover, for married couples, profits of up to \$500,000 on the sale of a principal residence (\$250,000 for single taxpayers) are excluded from tax on capital gains.

## The Advantage of Leveraging

Leveraging is another advantage of homeownership. A buyer can purchase a home and receive the full benefit of homeownership with a cash downpayment that is only a fraction of the total purchase price. This is called leveraging, and it makes the rate of return on a home purchase greater than on

other purchases with the same value, such as stocks, where the buyer must put up the entire price.

## Building Personal Resources

For most Americans, homeownership is a primary source of net worth and an important step in accumulating personal financial assets over the long term. Although property values have declined in many markets, Americans currently have a total of more than \$6 trillion in equity in their homes, and for most families, home equity represents the largest share of net worth.

## There Really is No Place Like Home

Although there are many positive financial aspects to homeownership, a home cannot be valued in monetary terms alone. Not only can homeownership be a step

pingstone to greater financial well-being, it provides a permanent place to call home and great personal satisfaction.

Academic research also shows that homeownership provides a wide range of social benefits and strengthens the nation's people and its communities.

Homeownership is truly a cornerstone of the American way of life.

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