



For Some, It's Finally Time to Dive Into the Housing Market

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The housing bust is creating a new group of winners: first-time home buyers. People who sat on the sidelines -- often watching wistfully as their friends became homeowners -- are suddenly in a position to grab some great deals. Indeed, first-time home buyers made up 41% of all buyers at the end of 2008, up from 36% in 2006, according to a recent survey from the National Association of Realtors.

The new buyers are being lured in by home prices that are down about 25% from their peak levels in mid-2006, according to the S&P/Case-Schiller Index. In some markets, prices have dropped even further -- slumping around 40% in Phoenix, Miami and Las Vegas. Lower mortgage rates have also helped make real estate more affordable, and as houses languish on the market longer, more homeowners are willing to negotiate. With Congress considering plans to sweeten a tax credit for first-time home buyers, the picture could get even brighter.

"Buyers are now coming back into those hard-hit markets to take advantage," says Lawrence Yun, chief economist for the Realtors' association. "It's a buyer's market."

Of course, would-be buyers need decent credit scores and the money for a decent down payment. Yet some of the best bargains right now are in luxury condos and sprawling single-family houses.

Still, real-estate agents and mortgage lenders are banking on first-time buyers to help stimulate the otherwise dreary housing market. Many are holding workshops and information sessions designed specifically for first-time buyers, addressing federal and state tax incentives for homeowners, local prices and ways to take advantage of low mortgage interest rates. Tim Epps, a mortgage adviser in Tulsa, Okla., runs rent-vs.-buying simulations for would-be buyers and recommends that other prospective buyers do the same long-term calculations.

Mr. Epps and many mortgage lenders recommend that buyers come up with as big a down payment as possible, even though Federal Housing Administration loans will allow some first-time buyers to enter the market with as little as 3% down. (Hud.gov has more information about FHA loan programs designed for first-time buyers.)

"Even if [a home owner] loses some paper equity, in the long run, there are some tax benefits," says Mr. Epps, referring to the deduction for interest paid on mortgages and the credit for first-time home buyers. ■

