

Statement of Ken Gear
Executive Director, *Fix Housing First* Coalition
For
Submission to the Record

U.S. House
Committee on Small Business

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Chairwoman Velazquez, Ranking Member Graves, and Members of the Committee, thank you for the opportunity to submit a statement to the Congressional Record regarding the first-time homebuyer tax credit.

My name is Ken Gear, and I am the Executive Director of the Fix Housing First Coalition – a group of over 25,000 members committed to a recovery of the housing market to lead the nation back to economic stability.

Our members including housing stakeholders from every corner of the industry: builders – small and large; retailers; manufacturers; suppliers; realtors; designers; mortgage brokers; and American homebuyers.

Every day we hear from our members about how the first-time homebuyer tax credit, passed as part of the American Recovery and Reinvestment Act, is helping to bring buyers back into the market.

Between the anecdotes of our members, and the economic reports released over the past several months, it is clear that the \$8000 tax credit included has been a huge success, enabling hundreds of thousands of first-time homebuyers to realize the dream of home ownership.

In fact, the National Association of Realtors estimates that 350,000 home sales this year would not have happened without the tax credit.

The tax credit is opening the door of homeownership for millions of first-time buyers and giving them the opportunity to benefit from historically low interest rates and affordability.

And bringing all of these buyers into the market is reducing inventories and stabilizing prices.

This is particularly true in states hit hardest when the market imploded.

The US Treasury reports the tax credit has been particularly effective in states where the housing crisis reached the most critical levels, with California, Texas and Florida as the top three states where homebuyers are taking advantage of the credit.

And that success has spread beyond home buyers to benefit everyone connected to the housing sector - movers, suppliers, retailers, manufacturers, realtors, etc. – spurring much of the gradual stabilizing of the economy in recent months.

Each day, our members tell us their personal stories from across the country, of how the tax credit is changing their lives and their communities.

For your reference, I am attaching several of those testimonials, but here are just a few to provide some perspective:

“The housing stimulus has been a huge driver of traffic in my community and has provided record sales ... in the ‘worst real estate market in history.’ My customers are thrilled to be able to purchase a home with historically low interest rates and with this incredible government incentive, but it has been the stimulus that pushed them over the fence.” – Ben in Virginia

“Most [buyers] say that they would not have bought had it not been for the credit. I employ 9 people in two offices. If the tax credit had not been there, I would have certainly laid off at least one employee and maybe two.” – Michael in Tennessee

“All of my buyers this year have been first time homebuyers and qualified for the tax credit... If they weren't going to receive a tax credit, I would estimate about 85%-90% of them would not have purchased a home at this time.” – Kelly in Arizona

“In this economy, everyone needs help. With so many people unable to purchase because of their current credit situation, by extending the tax credit to September 2010, it would also give them a chance to mend their credit and possibly be able to still take advantage. “ – Grace in Texas

“Simply put, this tax credit has spurred on sales like crazy. It ultimately helps all those connected to the building of homes (cities, trades, mortgage companies, insurance companies, etc) plus the trickle-down effect of furniture stores and the like to accessorize these homes.” – Paula in Arizona

“Our daughter is a single full time working mother ... The opportunity to purchase a home would not have been possible without the tax credit as the home she purchased needed improvements and updating. This program has assisted so many of our clients this past year that were not in a position to purchase a home without it. As parents and real estate professionals, we urge you to extend this program to all buyers who have the ability to purchase a home now and help us correct our housing market and replenish our economic status.” - Robin and Wayne in Nevada

These stories – among thousands of others – demonstrate that the tax credit is working as it was designed to work.

But despite these success stories, the housing market remains incredibly fragile and is by no means out of the woods.

The headwinds are still blowing strongly against a stabilized housing market and a strong US economy – unemployment continues to rise, credit is still tight, and millions of families still face foreclosure.

In truth, the only thing incenting the market right now is the homebuyer tax credit.

Unless Congress acts, the tax credit will expire on November 30, halting the housing recovery and slowing the economy's momentum just as it is beginning.

In fact, without an extension and expansion of the credit, the fourth quarter of 2009 could look very much like the fourth quarter of 2008.

To prevent a devastating repeat of that critical time, the Fix Housing First Coalition urges Congress to extend the current \$8,000 tax credit to September 30 of 2010 and make it as broad as possible including an expansion of the current income limits to allow additional working class families to take advantage of it.

This would increase new and existing home sales by 383,000 and housing starts by 82,000.

Right now, with the deadline looming, housing experts around the country are already concerned that the gains in sales they've seen in recent months will begin falling off when the credit is no longer available.

In fact, sales of existing homes decreased by 2.7 percent in August after 4 months of steady gains,

Leading experts believe this loss – which will likely be worse in September – is largely due to potential homebuyers' concerns that deals would not be able to close in time for the November 30th deadline, removing a critical incentive for purchase.

Historically the housing sector leads the way to recovery, and this time is no different.

Still reeling from the most devastating downturn since World War II, housing is only beginning to gain the momentum needed to return to a stable market.

Recently, we've been encouraged to see bipartisan support in Congress to extend the tax credit or expand it.

These legislative initiatives would prevent a relapse in the housing market, help millions of hard-working Americans take advantage of this important stimulus, and continue to stabilize the economy.

The economy is not yet out of the woods. Unless the homebuyer tax credit is extended, we risk undoing all the progress that has been achieved.

Thank you for this opportunity.

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