

**Homeownership Incentives Won't Stimulate Economy,
But May Lay Seeds for Another Housing Crisis
By the National Multi-Housing Council**

WASHINGTON, DC – Lawmakers under political pressure to “do something” to stimulate the economy and stop the slide in housing prices must act carefully and reject proposals that will do more harm than good. Among the bad ideas circulating are proposals for a new \$22,000 homebuyer tax credit, legislation overturning the ban on seller-financed down payment programs and calls for a federally financed interest rate buy-down on mortgages.

**Congress Should Focus on Restructuring Mortgages,
Not on Housing Oversupply**

The following is a statement on behalf of the National Multi Housing Council (NMHC) and National Apartment Association (NAA) Joint Legislative Program by Doug Bibby, NMHC President.

"We understand the desire of lawmakers to bolster the economy and stem the tide of foreclosures, but new homebuyer tax credits, seller-financed down payments and interest rate buy-downs will not stimulate the economy or stop house prices from falling further. They are simply bailouts for the for-sale housing market, the very sector of our economy that helped trigger the global economic crisis.

"The only issue a homebuyer tax credit addresses is the oversupply of single-family houses, which is something best left to the marketplace - not taxpayers - to correct. Oversupply situations happen in every industry, and the housing industry will recover with or without Congressional action, just as it has in past oversupply situations. Moreover, why should taxpayers help out an industry that recognized a downturn was coming and still kept overproducing?

"The government should not be using taxpayer dollars to sustain inflated housing prices. When prices return to market levels, buyers will return. Such a “resettlement” will not only restore affordability to the housing sector, it will also put it on a much stronger footing going forward.

"If buyers need a \$22,000 incentive to come back to the market, then home builders should absorb that cost through lower prices, not taxpayers. Furthermore, why would the government want to use taxpayer dollars to encourage people to buy an asset that is expected to lose up to 25 percent of its value in the next 12 to 24 months?

"Finally, homebuyer incentives also do nothing to stimulate the economy. They don't create jobs and won't (nor should they) encourage more housing production. They simply use tax dollars to help builders move them off their balance sheets.

"More disturbing is the fact that these proposals—particularly the potential return of federally financed zero down mortgages—would increase the number of owners who are

“underwater” in their mortgages. In the process, they lay the groundwork for another wave of mortgage defaults and foreclosures”.

"Even if the government wants to prop up housing prices, it's not clear that they can. Leading economists warn that interventions aimed at stopping housing prices from falling further are “likely to be expensive failures” and that such “attempts to artificially boost housing prices are misguided.¹

"Consider, for instance, the fact that the National Association of Home Builders (NAHB) says Americans are expected to buy 5.1 million houses next year without any incentives. Giving these buyers a \$22,000 tax credit, as NAHB has called for, would mean \$112 billion in wasted subsidy to buyers who would have bought a house anyway. Lawmakers should instead focus their efforts on restructuring mortgages, an action that actually can help families stay in their houses.

"Beyond that, if Congress wants to shore up the economy, it should stop favoring specific industries and instead enact proven economic stimulus policies, such as investment incentives for business, investing in our national infrastructure, extending unemployment benefits, issuing general aid to state governments and meaningful energy efficiency tax incentives for commercial real estate."

[Editor's Note: AOA's position is that lawmakers should stay out of the housing market. Taxpayers' money should not go to those who financially overextended themselves and paid too much for their home or used their home as a bank to buy other "goodies".

The gain or loss should go to the investor. "Big Brother" has no business in the housing market. Lawmakers should stick to making laws, not giving away taxpayers' money to support unsuccessful investors or businesses. We already know how government has messed up housing with their crazy ideas about helping people buy houses who never could afford it. We can also see the housing projects and how the government has created slums.

AOA members know how to provide decent housing – the government has proven that they do not know how, so they should back off and stay out of our business!]
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