

November 2009 Archive

Census: Small U.S. cities lose luster in downturn

WASHINGTON (AP) – Nov. 19, 2009 – America's small cities are losing some of their traditional appeal to upwardly mobile families seeking wholesome neighborhoods, a stable economy and affordable living.

A review of newly released census data shows, for example, that smaller cities of between 20,000 and 50,000 residents have lagged behind their larger counterparts in attracting higher-educated residents in this decade. The smaller locales include remote towns, inner suburbs, the distant suburbs known as "exurbs" and other distinct areas.

In 2000, the smaller cities ranked at the top in the share of people with college diplomas. They slipped to No. 2 last year with 30 percent holding degrees – in between medium-sized cities, which had 31 percent, and big cities, at 29.8 percent.

Poverty is growing in the small cities, fueled partly by population growth, although average median income of \$60,294 in those communities is still higher than other places.

Small cities looking more and more like bigger cities over the decade ranged from places like Hobart, Ind., and Mount Pleasant, Mich., to Anniston, Ala., and Greenville, Miss. Compared with previous years, they had smaller incomes, higher housing costs, longer commutes, more poverty and more single-parent families.

Demographers attributed some of the shifts to the housing downturn and a spike in gasoline prices, which has hit residents in the far-flung exurbs harder. Many families in smaller towns also are looking for jobs in larger cities because of the current recession and are rethinking the wisdom of a lengthy commute to work.

Some small cities may have become victims of their own success. As their local economies boomed mid-decade, many places grew rapidly and attracted lower-income residents needed to build roads, schools and other public works projects. Some of these areas have shot up in size and are now medium-sized communities.

"Small towns have a certain appeal to people, and their quality of life there is backed up by the data," said Mark Mather, associate vice president of the nonprofit Population Reference Bureau. "But as more people move in, small towns start to lose the qualities that attracted people there in the first place."

The shifts are notable in the ranks of the educated.

According to census data, smaller cities in California, Texas, Florida, Michigan and New York had declines in the share of residents with bachelor's degrees, ranking among the lowest in the nation. They included Bell, Calif.; San Benito, Texas; Jasmine Estates, Fla.; Hamtramck, Mich.; and Newburgh, N.Y.

North Potomac, Md., posted some of the highest shares of college graduates in the nation. Still, its share fell in the last decade, from 75 percent in 2000 to 70 percent. Other highly educated towns or census-designated areas that saw brain drains were East Lansing, Mich., North Druid Hills, Ga., and Greenbelt, Md.

The findings come as President Barack Obama has pledged to upgrade mass transit and other urban priorities in inner cities and their close-in suburbs. That could create additional shifts in residential patterns to larger-populated areas, especially for younger couples and small families who more readily move.

The AP review found both extreme poverty and wealth in smaller-sized cities.

For example:

- Poverty has risen in small cities, from 10.8 percent in 2000 to 12 percent. In big cities, poverty declined slightly, from 17.7 percent to 17.6 percent.
- Homeownership costs in small cities are growing less rapidly, partly a reflection of the housing collapse in many exurbs. In 2000, big cities trailed small cities when it came to the share of residents with monthly costs of more than \$1,000 – 56 percent to 61 percent. By 2008, 82 percent of big-city residents were paying the high costs, compared with 78 percent for small cities.
- Carbondale, Ill., had the lowest median income, at \$17,508, followed by small cities in New York, Louisiana, Alabama and Ohio. Darien, Conn., topped all other cities with the highest median income, at \$188,823.

“There are lots of small towns and rural areas that are struggling,” Mather said. “Many were struggling before the current recession, so it might take more than a dose of stimulus funds to put them on the road to recovery.”

The data, from the American Community Survey, represent three-year averages covering 2006 through 2008, providing a snapshot of every community with at least 20,000 residents. Medium cities are defined as having 50,001 to 150,000 residents, and big cities have more than 150,000.

On the Net: Census Bureau: www.census.gov

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Court again upholds Fla. homeowner tax breaks

TALLAHASSEE, Fla. (AP) – Nov. 18, 2009 – An appeal court Tuesday rejected another challenge to state constitutional amendments that give property tax breaks to Florida’s primary homeowners, but not to owners of second homes.

A three-judge panel of the 1st District Court of Appeal disagreed with arguments that the amendments violate U.S. constitutional rights of travel and interstate commerce by favoring longtime Florida homeowners over those who have recently moved to the state.

The judges cited a July decision that also upheld the Save Our Homes Amendment, which limits annual assessment increases to no more than 3 percent for homesteads, in a case filed by out-of-state residents who own second homes.

In the new case filed by recently arrived Florida residents, the judges also for the first time upheld a new state constitutional amendment passed last year that includes a “portability” provision. It lets homeowners take at least part of their Save Our Homes benefits with them

when they move.

The panel, though, returned a third appeal attacking both tax breaks to a trial judge for reconsideration because he erroneously dismissed the case on grounds that he lacked jurisdiction. That case also was filed by out-of-state residents who own second homes in Florida.

The appellate court in July ruled the tax benefit is based on the way the property is used, not on the status of the owner as a resident or nonresident. That case, now on appeal to the Florida Supreme Court, did not include the portability provision.

Former Florida State University President Tablot "Sandy" D'Alemberte, now a law professor at the school, represented the challengers in the two new cases. He argued the portability provision made Save Our Homes even more onerous and unfair to recent arrivals and nonresident owners.

D'Alemberte was disappointed but not entirely surprised by the ruling in the case filed by a Tallahassee couple and two other recent arrivals who had bought homes in Charlotte and Palm Beach counties.

"My guarded optimism may have been too guarded," D'Alemberte said.

He had regaled the judges with a colorful oral argument last month that feature a "magic potion" tale and invitation to a "house of mirrors." The court responded with two brief and dry but unanimous opinions that did not specifically address his portability argument.

D'Alemberte said his clients have not yet decided on a further appeal, but he said it's likely they'll also look to the Florida or U.S. supreme courts for relief.

He had been confident, though, the appellate court would reverse Circuit Judge William L. Gary's dismissal of the nonresidents' case.

"That's not exactly a victory," D'Alemberte said.

It now goes back to Gary's Tallahassee courtroom for a decision on the merits with the other two appellate rulings serving as precedents.

Gov. Charlie Crist led the campaign for Amendment 1, which includes the portability provision. A Crist spokesman did not immediately return a call seeking comment.

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FHA rule change could benefit condo market

MIAMI – Nov. 11, 2009 – The Federal Housing Administration is giving the condo market something it hasn't had for a while – a little breathing room.

Last week, the FHA, the federal agency that insures low-downpayment home loans for private lenders, said it was relaxing its building underwriting guidelines as a way of helping the struggling sector ride out the downturn. The move could help boost sales in condos by making more FHA mortgages available to borrowers.

"The best way to bring back some level of security is to get new buyers into those vacant units. You can't do that until new homeowners have access to financing," said Meg Burns, director of the FHA's single-family program development.

The new rules – which are temporary – come after more than a year of more stringent standards from lenders, who, after suffering major losses on condos, began vetting and disqualifying condominium projects for purchase loans, regardless of whether home buyers qualified.

“This might be an entree for traditional and conventional lenders to return to the marketplace. Symbolically, it’s a pretty significant move,” said Peter Zalewski, a condo market analyst and broker with Condo Vultures in Bal Harbour, Fla.

The temporary rules are effective for most of the coming year and will help the marketplace transition into a new set of tougher guidelines that bring FHA into closer alignment with the project underwriting practices of Fannie Mae.

Earlier this year, Fannie implemented a slew of new regulations governing condo projects that some claim have strangled the market by stigmatizing condo loans in tough markets such as Florida.

Similar to Fannie regulations, the FHA is also now singling out those markets for special attention by approving projects itself, rather than lenders. Burns said lenders and investors were reluctant and even “scared” to lend money, prompting the agency to step in as a way of calming nerves.

“We’re coming in and saying we’ll approve the projects and back them so you will feel confident and comfortable lending in this environment,” Burns said.

Securing the blessing of the FHA is important because it allows borrowers to get loans that require downpayments of only 3.5 percent and qualify under less burdensome terms.

Most conventional loans now require 20 percent down, keeping creditworthy borrowers on the sidelines. In some new projects, lenders have asked for downpayments of as much as 40 to 50 percent.

Among the new, temporary rules is a measure extending a deadline allowing lenders to submit mortgage loans for spot approval in buildings that have not been approved for FHA lending. The administration had said the so-called spot loans would be eliminated by the end of the year but the new deadline is February 2010.

The new guidelines also:

- Increase from 30 percent to 50 percent the number of units in a project that can be financed with FHA loans. FHA, however, will make exceptions, even allowing up to 100 percent, when buildings meet an additional set of more stringent criteria.
- Require at least 50 percent of units in a complex to be owner-occupied or sold to owners who plan to live in the units. Bank-owned units may be disqualified from the percentage calculation.
- Reduce a presale requirement in new construction to 30 percent, compared to 70 percent for loans from conventional lenders.

“This temporary guidance represents incredible leniency in terms of financing standards and loan standards,” Burns said.

It’s hard to say how many buildings may benefit from the new rules, but mortgage brokers and real estate observers applauded the reprieve.

"This should really help some of the stalled projects if they can get their buildings approved," said Grant Stern, a mortgage consultant in Bay Harbor Islands, Fla., who specializes in Fannie Mae and FHA guidelines. "A lot of these buildings looking to sell out the rest of their inventory should be able to get FHA approval to close out the projects."

But there will be more hurdles to overcome beginning Dec. 7. That's when a bevy of additional regulations take effect, including a provision that withholds approval from buildings where more than 15 percent of unit owners are past due on association fees.

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Obama signs bill: Homebuyer tax credit extended

WASHINGTON – Nov. 6, 2009 – President Obama signed H.R. 3548 this morning, enacting into law an extension, and adjustment, of the \$8,000 tax credit for first-time buyers. Among other things, the extension adds money for certain move-up buyers; creates one deadline for signing a contract and a later deadline for closing; changes income requirements; and limits a purchased home's cost to \$800,000.

"Extending the homebuyer tax credit and expanding it to reach more homebuyers is the right thing to do," says 2009 Florida Realtors® President Cynthia Shelton. "It is critical to maintaining the positive momentum we've been experiencing in the housing market and in the overall economy. Florida Realtors applaud congressional leaders for taking action to extend the homebuyer tax credit into 2010, which will help Florida families realize their dream of homeownership, improve our communities and strengthen our economy."

Adds John Seabee, Florida Realtors vice president of public policy, "Florida residents enjoy two additional advantages. The Florida Homebuyer Opportunity Program (FHOP), created by the Florida Legislature earlier this year, still has approximately \$28 million that first-time homebuyers can access and use toward their downpayment. And move-up buyers now have the ability to 'port' their current property tax savings to a new home."

First-time homebuyers

Most details for first-time homebuyers mirror the rules currently in existence. The maximum tax credit remains \$8,000 (\$4,000 for married individuals filing separately), and anyone who has not owned a home within three years is considered a "first-time buyer."

- A purchase must be under contract by April 30, 2010.
- A purchase under contract by April 30 must close no later than June 30, 2010.
- After Dec. 1, 2009, income limits rise to \$125,000 for singles and \$225,000 for married couples; up from limits effective through Nov. 30 of \$75,000 for singles and \$150,000 for married couples. The tax credit phases out incrementally at each \$20,000 increase in income.
- Effective immediately: The maximum home value purchased cannot exceed \$800,000. Prior to the law being signed, first-time homebuyers had no limitation on a home's cost.

Current homeowner tax credit

An existing homeowner who purchases a home may now claim a tax credit of up to \$6,500. To qualify, that owner must have owned and used the same residence as a principal residence for

any consecutive five-year period in the previous eight years.

- This new tax credit is effective immediately. Eligible homebuyers do not have to wait until Dec. 1 to close in order to qualify.
- Personal income limits, maximum home value, and contract/closing deadlines are the same as those for first-time homebuyers.

Long-time Florida homeowners who enjoy discounted property taxes resulting from the state's Save Our Homes amendment qualify for property tax portability, notes Sebree. For more information or to calculate how much tax savings can be transferred to a new home, visit [floridarealtors.org](http://www.floridarealtors.org) at: <http://www.floridarealtors.org/LegislativeCenter/TopInitiatives/index.cfm>

Florida Homebuyer Opportunity Program

Under FHOP, first-time Florida homebuyers can obtain interest-free bridge loans to access their federal tax credit before they complete a home purchase, enabling them to use that money upfront for downpayment and closing costs. Once buyers submit their returns to the IRS and receive their tax credit money, they repay their loans to the state.

The Florida Realtors-backed program came out of the 2009 session of the Florida Legislature. However, as part of the 2009-2010 budget year, did not become effective immediately. The tax credit extension will allow many first-time buyers to tap into the approximately \$28 million in the program's remaining funds.

While funded by the state, the money is distributed through the city and county housing offices that operate the State Housing Initiatives Partnership (SHIP) program. There is no standardized program, and each local agency may operate under different rules for distribution. For more information, buyers should contact their local SHIP office.

To find a local SHIP office, go to:

http://apps.floridahousing.org/StandAlone/FHFC_ECM/AppPage_SHIPLGContacts.aspx.

Additional changes

The tax credit extension includes other new rules, such as:

- The new law also impacts dependent purchases of homes, which weren't addressed under the old rules.
- The new law requires a buyer to attach documentation about the home purchase to his or her income tax return. An audit found that some buyers are claiming the tax credit when they don't deserve it, and investigators continue to seek out fraud. To minimize tax abuse going forward, buyers won't receive the credit without submitting proof to the Internal Revenue Service (IRS).

The homebuyer tax credit is collected as part of the normal income tax process. As a credit, it's calculated separately from an individual's income tax, and paid regardless of taxes owed or withheld from income. As always, however, only a tax planner can render specific advice to anyone seeking the credit. For more information on the credit, contact a tax planner or visit the IRS website at: <http://www.irs.gov>.

Florida Realtors will update tax credit information and clarify details when available on the Homebuyer Center, part of [floridarealtors.org](http://www.floridarealtors.org) at:

<http://www.floridarealtors.org/AboutFar/homebuyercenter/index.cfm>.

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Tax credit extension passes House and Senate

WASHINGTON – Nov. 5, 2009 – The \$8,000, first-time homebuyer tax credit has not yet been extended beyond its Nov. 30 end date, but it's very close to gaining a longer life.

The extension was added as an amendment to an existing bill, HR 3548, that extends unemployment benefits. The U.S. Senate passed that bill on Wednesday and, after debate, the U.S. House passed HR 3548 this afternoon. It now needs only President Obama's signature to become law, and the White House has indicated it will sign it, perhaps as early as tomorrow.

Until the president signs the bill, however, it is not law.

In addition to extending the tax credit for first-time homebuyers under the current rules, the bill adds a smaller tax credit for move-up homebuyers who have lived in the house for five of the past eight years. The bill also increases the income limits of homebuyers from \$75,000 (single) to \$125,000; and from \$150,000 (married) to \$225,000.

Florida downpayment assistance

After the president signs the bill and extends the tax credit, the Florida Homebuyer Opportunity Program – a downpayment and closing costs assistance program relating to the federal tax credit – automatically gets extended too. The state still has about \$28 million available for homebuyers. The money is essentially a loan to first-time buyers; they receive it upfront, use it for a downpayment or other costs, and pay it back once they get their federal refund.

For more information on the Florida Homebuyer Opportunity Program, visit the Homebuyer Center on [floridarealtors.org](http://www.floridarealtors.org):
<http://www.floridarealtors.org/AboutFar/homebuyercenter/index.cfm>

Also check [floridarealtors.org](http://www.floridarealtors.org) for updates as they're released; and, after the tax credit extension becomes law, details on the new program.

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