

How the New Infrastructure Bill Will Impact First-Time Homebuyers

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-- First-time home buyers could soon see some much-needed support in the next couple of months if proposed housing reform gets approved. Politicians seem eager to remove barriers that many first-time homebuyers experience throughout the home buying process, especially related to saving for the initial down payment.



The new infrastructure bill offers a blueprint into how allocated funds could tackle significant housing actions. The bill has caught the eye of many major players because it, in part, attempts to address growing concerns related to the distribution of wealth nationwide.

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Brian, C. Coester.

Data shows that homeownership is a major contributing factor for establishing generational wealth in America. According to the Federal Reserve’s 2019 Survey of Consumer Finances, the median homeowner has roughly 40 times more household wealth compared to the average renter¹. Making it easier to become a homeowner could help bridge income inequality gaps across the county.

Two housing provisions within the bill include the

proposed Neighborhood Homes Investment Act and the Down Payment Toward Equity Bill, both of which will make homeownership more attainable for more borrowers. Let’s look at how each positively impacts first-time homebuyers.

The Neighborhood Homes Investment Act

One of the provisions dubbed the Neighborhood Homes Investment Act looks to boost the supply of homes by creating incentives for revitalizing distressed properties in mostly urban, suburban, and rural neighborhoods.

Tax credits will be offered to attract private investments for building and rehabilitating an estimated 500,000 homes geared toward low- and moderate-income homeowners. The proposal allocates roughly \$20 billion in tax credits over a five-year period.

For months prospective homebuyers and industry professionals have voiced concern over a lack of move-in ready homes. Low inventory has been a big factor in putting upward pressure on home prices. The lack of affordable, turn-key homes makes attracting first time homebuyers difficult, which can have a significant impact on local property values.

The Neighborhood Homes Investment Act helps address these problems by incentivizing the revitalization of existing housing to help increase the supply of suitable homes, which should help first time homebuyers by deflating home prices (to some degree).

Another benefit is that this bill should help pave the way for more newly constructed homes in underserved areas, making it easier to find a new home despite the fact that the Federal Reserve might soon begin to adopt contractionary fiscal policies.

Lastly, first time homebuyers who do purchase rehabilitated homes in these areas may find their investment appreciate quicker than other areas where, conversely, prices are beginning to taper. The federal government is making it a point of focusing on developing these underserved areas which should leave room for long-term growth.

Subsequently, as new private investment enters these areas, it will also have a positive impact on the quality of life for those now homeowners.

The Down Payment Towards Equity Bill

Another bill fighting for approval is related to the previously announced first-time homebuyer tax credit. The latest draft, which is now being referred to as the Down Payment Towards Equity Bill, provides \$25,000 in down payment assistance to first-time homebuyers for the purchase of a new primary residence.

When the bill was first introduced, the benefits were allocated in the form of a homebuyer tax credit, however recent changes indicate that the benefit will now actually be money available at the time a borrower goes to close on their purchase².

Several revisions have been made restricting who can access this benefit. The current draft allows only for first-generation, first-time homebuyers, meaning your parents and grandparents cannot also have owned a home².

Other first-time homebuyers who meet certain income eligibility criteria may also qualify for down payment assistance, however they cannot have owned a home in the last three years².

Overall, the bill would positively impact first time homebuyers by helping to alleviate the burden

of coming up with an initial down payment, which is one of the biggest hurdles for prospective homeowners.

In 2019, approximately 26% of first-time home buyers stated that saving for a down payment was the most difficult task in the home buying process according to the National Association of Realtors³.

Yet, comparatively this bill would have less of a universal impact on all first-time homebuyers unlike other proposed housing reform such as the Neighborhood Homes Investment Act due to the number of restrictions to qualify.

Nevertheless, this program could be combined with other state and local down payment assistance programs to amplify the ability of prospective first-time buyers to become homeowners.

By Brian, C. Coester.

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