

FINANCE

HUD Prepping Rule On Using Credits For Down Payments

By Bob Kemper

HUD Secretary Donovan Tuesday told the nation's Realtors that his agency plans to unveil in a few days new rules that would allow first-time home buyers to use an \$8,000 federal tax credit to make a down payment on homes.

Donovan told the National Association of Realtors that federal officials have been reviewing several methods of converting the tax credit into quick cash for home buyers to encourage more of them to purchase a home.

Hundreds of the nation's real estate agents, who have had a front-row seat to the nation's economic meltdown, credit President Obama's creation of the new tax credit in his economic stimulus package with helping to keep the real estate industry from plunging deeper into recession.

But they have urged the administration to allow the credit to be used up-front to help first-time buyers overcome the greatest financial obstacle to a home purchase: the down payment. Under current rules, those buyers would be allowed to take the

\$8,000 credit on their federal tax returns, but only after they made their purchase and raised the down payment on their own.

Donovan pledged continued ad-

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ministration support in helping 7 million to 9 million homeowners facing foreclosure to modify their mortgages and to reorganize the FHA to make it more relevant and effective in the marketplace as it begins insuring more mortgages in the down cycle.

"It's too early to say we're out of the woods until we get a couple more months of data," Donovan told several hundred Realtors. "But I'm optimistic that the housing market will recover by the end of the year if not earlier."

Meanwhile, former Federal Reserve Chairman Alan Greenspan told the Realtors Tuesday that despite the first hints that the eco-

nomie meltdown might be hitting bottom, concerns remain about the increasing number of homeowners who owe more on their mortgage than their homes are worth.

Greenspan told the Realtors that the "significant pick up" in the number of "underwater" mortgage holders who are considered the best credit risks by lenders is a growing threat to a market that many are hoping will begin to rebound by year's end.

Real estate analyst *Zillow.com* estimates that 20 percent, or more than 20 million homeowners, now owe more than their home is worth.

Realtors also heard from FDIC-Chairwoman Sheila Bair, who said that while the housing market is in much better shape than it was last fall the industry is still a year or two away from a full recovery. Bair called for a reinvigoration of the mortgage securitization market, in which banks sell their mortgages to investors, to raise the capital the market needs to rebound. The one-time \$1 trillion industry has virtually shut down, she said.

TRANSPORTATION

LaHood Sees High-Speed Rail, Highway Repair On Horizon

By Shihoko Goto

A highway bill to revamp the nation's transportation infrastructure should be coming from Congress "pretty soon," Transportation Secretary LaHood said Tuesday.

In a luncheon speech to members of the National Retail Federation gathered for the group's annual Washington leadership conference, LaHood said he expected **House Transportation and Infrastructure Chairman James Oberstar** to draft "probably a five-year bill" that will be very workable in reforming the country's surface transportation network, including high-speed and light rail systems as well as rebuilding roads, bridges and highways.

Transportation issues have been treated for too long in a "piecemeal

fashion," without a comprehensive plan to develop land, air, and marine networks for passenger and commercial use, LaHood argued.

After the speech, LaHood told reporters he has also been working closely with members of Congress to quickly produce a good bill that would not only improve transportation nationwide, but also bolster the economy by creating jobs. He declined, however, to give any further details on the proposed bill's timeline. Instead, LaHood pointed out repeatedly the need to develop high-speed rail, a plan that has the full support of the White House. Under the economic stimulus, the Obama administration allocated \$48 billion for the transportation sector, of which \$8 billion will be used to

fund high-speed railway projects.

"This is the first time a president has put focus on high-speed rail," LaHood said, adding that there was now an opportunity for those who had always dreamed of developing high-speed railway networks in their region to secure federal funding for projects under consideration.

LaHood said that while the Obama administration was working hard to get all sectors of the economy back on track, most notably the banking and real estate industries, the transportation sector had a key role to play in making sure federal funds boost the economy.

"I believe thousands will be working this summer" as a direct result of increased funds for transportation projects, LaHood said.