A new paper by Karen Dynan, Ted Gayer and Natasha Plotkin and their associated policy brief look at the impact of the homebuyer tax credits, passed into law in the wake of the 2008 recession in an effort to stabilize the housing market. This graphic summarizes the key findings of the paper, which was presented at a Brookings Institution event on June 28, 2013.

Federal Homebuyer Tax Credits

Their Cost and Impact on the Housing Recovery

The housing and financial crisis of 2008 led to a number of federal legislative efforts to promote housing demand through homebuyer tax credits:

HERA — Housing and Economic Recovery Act

Time range: 4/8/2008 to 12/31/2008	Maximum credit amount: $7.5 THOUSAND	Max. purchase price: NONE
Repayment required? YES	Buyers covered: FIRST-TIME	Projected cost: $4.9 BILLION

ARRA — American Recovery and Reinvestment Act

Time range: 1/1/2009 to 11/30/2009	Maximum credit amount: $8.0 THOUSAND	Max. purchase price: NONE
Repayment required? NO	Buyers covered: FIRST-TIME	Projected cost: $6.5 BILLION

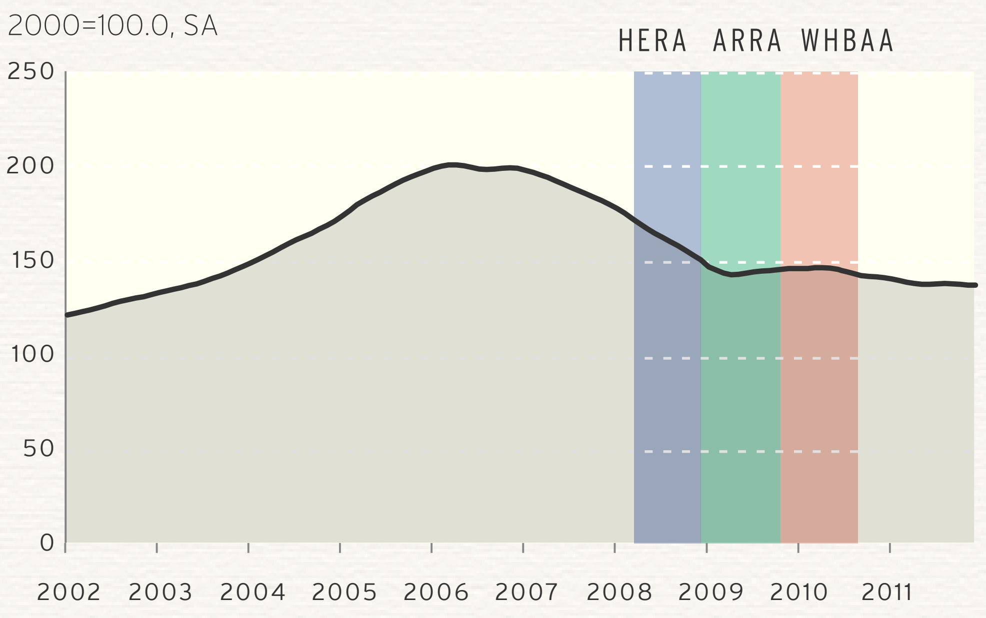
WHBAA — Worker, Homeownership and Business Assistance Act

Time range: 11/7/2009 to 9/30/2010	Maximum credit amount: $8.0 THOUSAND (first-time); $6.5 THOUSAND (repeat)	Max. purchase price: $800 THOUSAND
Repayment required? NO	Buyers covered: FIRST-TIME AND REPEAT	Projected cost: $10.8 BILLION

The HERA homebuyer tax credit, which essentially amounted to an interest-free loan, did little to stop the rapid deterioration of the housing market.

Housing Price Index

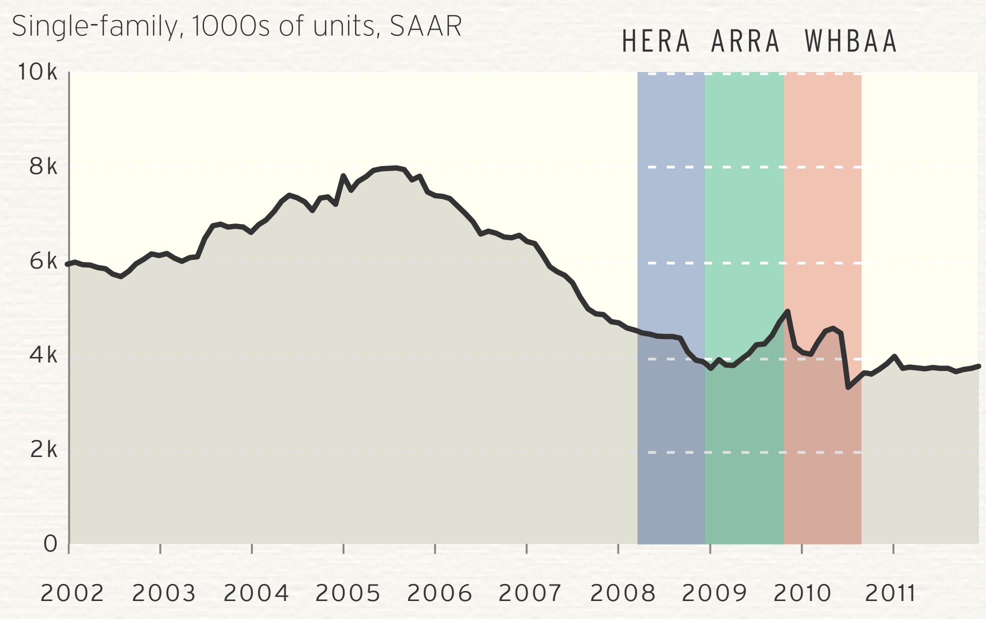
2000=100.0, SA



Source: CoreLogic, Haver Analytics

Home Sales

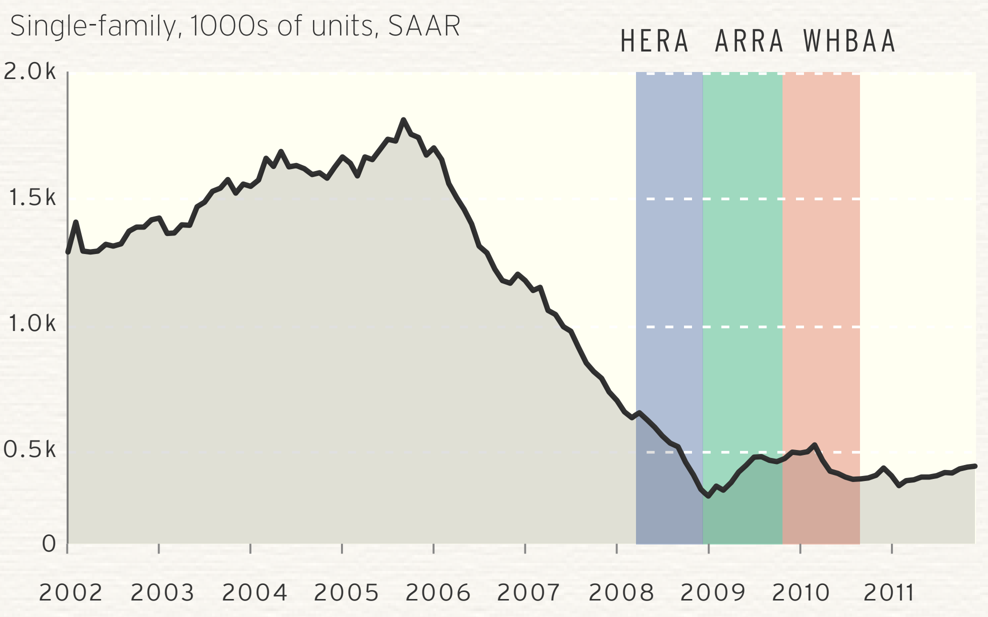
Single-family, 1000s of units, SAAR



Source: CoreLogic, authors' calculations

Building Permits

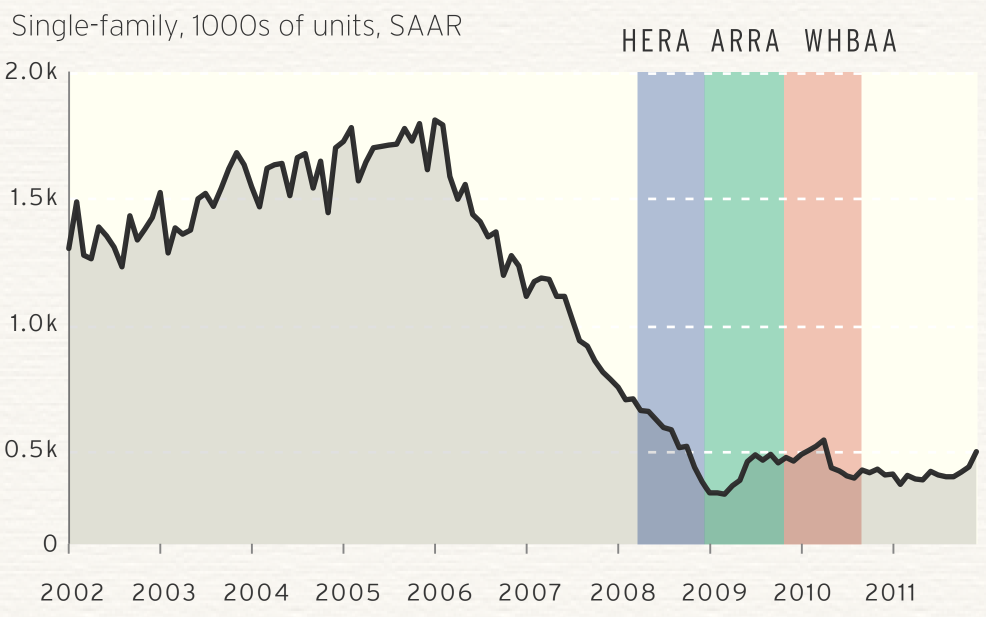
Single-family, 1000s of units, SAAR



Source: Census Bureau

Housing Starts

Single-family, 1000s of units, SAAR



Source: Census Bureau

The more generous ARRA and WHBAA homebuyer tax credits coincided with a stabilization of the market, although there were many other policy and economic developments that likely contributed to this shift.

> *Our results suggest that the ARRA and WHBAA homebuyer tax credits* ***provided a modest boost*** *to home sales and home prices while they were available, with some of the changes partially reversed after the expiration of the credits.*
>
> Karen Dynan, Ted Gayer and Natasha Plotkin

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