

# Mortgage Cost Increase to Pay for 2-Month Extension of Payroll Tax 'Holiday'

It was big news in December that the House Republicans caved in and agreed to extend the federal payroll tax "holiday" for two months, as agreed by Senate Republicans.

But what didn't make the news was where the money would come from to pay for that tax reduction. It's going to come out of the pockets of homebuyers in the form of increased loan costs.

I was first made aware of this by a Jan. 5 email from a respected mortgage consultant. I confirmed it this past Sunday in a conversation with Rep. Ed Perlmutter in Golden.

The mortgage consultant wrote: "For conforming products, it has been determined that something known as a Guaranty Fee that all lenders pay to the Government Sponsored Entities [Fannie Mae & Freddie Mac] will increase by 10 basis points *in yield*. Effectively,

that means all conforming loans will increase almost .125% in rate. [Fannie and Freddie] are requiring

this increase for loans delivered to them beginning in the second quarter of 2012. You will see the increase **effective on Wednesday, Jan. 11, 2012**. In some cases, the actual rate impact will be as little as 27 basis points. In other cases, the impact will be as high as 77 basis

points. And the impacts will vary day-to-day, depending on the rates and the market's attitude." (A basis point = 1/100th of 1%.)

FHA loan costs will go up by an equivalent amount.

According to Rep. Perlmutter, you can thank the Republicans for this development. The Democrats wanted to pay for it with a tax on those earning over \$1 million per year, but the Republicans would not allow it and, to honor their no-

tax-increase pledge, came up with this non-tax approach to providing the required offsetting revenue.

According to the email I received, it will take **10 years** for this mortgage cost increase to offset that **two-month** payroll tax reduction.

I'm amazed that Republican leaders continue to think they can attract votes from the general population by doing whatever it takes to keep taxes low for the top 1% of the population. I suspect they are only providing ammunition that will cost them in the 2012 elections.

I lived in Washington, DC, when I was a reporter for the Washington Post in 1968. I'm keenly aware that the 550,000 residents (mostly Democrats) of our nation's capital do not have voting representation in Congress. DC's license plates declare "Taxation Without Representation." Wasn't that the rallying cry at the Boston Tea Party? Why isn't today's Tea Party working to right that injustice?

## Planning Commission Promotes Blight

What is "smart growth"?

In November, the Jeffco Planning Commission approved a revision to the North Plains Area Plan, designating over 1,000 acres of open land west of Highway 93 as a new "Urban Activity Center." Although this didn't constitute a rezoning of what is currently agricultural land, it means that a future request for urban-style rezoning would be justified as complying with the revised plan for that area.

I testified against the redesignation, and pointed out that promoting that kind of sprawl — the kind which has transformed the areas through which C-470 and E-470

pass — actually promotes blight in the older developed areas.

Creating more and more suburban opportunities for overbuilding merely promotes sprawl, but it also promotes continued abandonment of older areas. A "smart growth" strategy, in my opinion, would only open outer areas to development as a shortage of developable land is perceived in the inner areas.

The building of transit lines, such as TREX and FasTracks, promotes smart growth. I recently learned, for example, that there has been \$6 billion of economic development along the TREX corridor since that transit line opened.

### REAL ESTATE TODAY



By JIM SMITH, Realtor®



Serving the West Metro Area

**Jim Smith**

Broker/Owner

**Golden Real Estate, Inc.**

DIRECT: 303-525-1851

EMAIL: [Jim@GoldenRealEstate.com](mailto:Jim@GoldenRealEstate.com)

17695 South Golden Road, Golden 80401

COMMENT AT: [www.JimSmithBlog.com](http://www.JimSmithBlog.com)



This column is also posted on [www.JimSmithBlog.com](http://www.JimSmithBlog.com), where you can comment on it. Hundreds of previous columns are archived at [www.JimSmithColumns.com](http://www.JimSmithColumns.com)