

2026-5-23

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# REAL ESTATE

Time to Downsize?

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## Doubling or Eliminating the Capital Gains Tax Exemption Would Increase Real Estate Inventory

Two weeks ago, I wrote a lengthy article about how Baby Boomers were defying predictions of a "silver tsunami" by staying in their homes instead of downsizing or renting and making their long-time family homes available for purchase at a time when America needs more housing inventory.

REAL ESTATE TODAY



By JIM SMITH Realtor®

A couple readers kindly pointed out that I forgot about an important "golden handcuff" on long-time owners — the capital gains tax they would have to pay if their home appreciated beyond the \$250,000/\$500,000 capital gains tax exemption that has remained unchanged since 1997.

Now, a bipartisan group in Congress says it's time to update that tax rule, and they're pitching it explicitly as a way to get more homes onto the market.

Under current law, homeowners can exclude up to \$250,000 of gain from tax when they sell a primary residence, or \$500,000 if they're married filing jointly. That threshold was set in 1997 and has never been indexed to inflation or home prices.

After two decades of appreciation, it's not unusual for long-time owners to be sitting on gains well above those caps. That's enough to make many would-be sellers stay put, even when they'd rather downsize, move closer to family, or become renters, like Rita and I did.

Economists and industry groups, including the National Association of Realtors, have started calling this the "capital-gains lock-in effect" similar to the "rate lock-in" created by low pandemic-era mortgages.

The most serious effort to tackle that lock-in is a pair of bills in Congress both titled the "More Homes on the Market Act." In the House, the bill is HR-1340, sponsored by Rep. Jimmy Panetta, a Democrat from California's Central Coast. His bill would double the exclusion on the sale of a principal residence and index it going forward, so it doesn't fall behind again. The measure has attracted nearly 100 co-sponsors from both parties who are from states like ours in which home values have skyrocketed.

In the Senate, the companion bill is S-

3332, led by Sen. John Cornyn, a Republican from Texas, and co-sponsored by a bipartisan group that includes Colorado's own Sen. Michael Bennet.

Their pitch is simple: modernize an outdated tax rule so that long-time owners can sell without being punished for having lived through a long housing boom.

At the other end of the spectrum is HR-4327, the "No Tax on Home Sales Act." Originally introduced by Rep. Marjorie Taylor Greene (R-GA) and now carried by Rep. Mark Alford (R-MO) as lead sponsor, the bill would eliminate capital gains tax entirely on the sale of primary residences.

What's interesting about this debate is that it's not being framed primarily as a "tax cut" in the usual partisan sense. Instead, both camps are talking about increasing the inventory of homes for sale.

At the National Association of Realtors' 2026 advocacy meetings in Washington, lawmakers and administration officials told attendees they were "narrowing in" on ways to update the capital-gains rules specifically to encourage long-time owners to sell.

Will a bigger exclusion alone solve Colo-

rado's inventory crunch? No. But in a market where every additional listing matters, it could be one of the cleaner levers Congress can pull.

For now, the "More Homes on the Market Act" looks like the most viable vehicle. It's targeted, bipartisan, and framed as a fix to an obviously outdated number rather than a wholesale repeal of the tax on home sales.

If one of those bills passes, you might be able to realize more (or all) of your gain tax-free. That could make downsizing, relocating, or moving closer to family much more attractive.

We've spent years blaming low mortgage rates for our frozen housing market. That story is true but incomplete. The capital-gains rules written in 1997, when Denver's median home price was a fraction of today's, are now part of the problem — for many, the bigger part.

Whether Congress chooses a modest update or a sweeping overhaul, the debate itself is a sign that Washington is finally acknowledging what homeowners have known for a while: sometimes, it's not just the house that keeps you in place. It's the tax code.

## Get Used to Hearing "VantageScore" Instead of "FICO" Score. Here's the Difference

When I reviewed a client's settlement statement recently, I noticed how high the credit report fee was. Jaxzann Riggs, owner of The Mortgage Network, explained that for decades, the mortgage industry has relied on the FICO credit scoring model for the borrower's credit-worthiness, but that is changing.

Enter VantageScore, a competing scoring model created by the three national credit bureaus — Equifax, Experian, and TransUnion. While both scoring systems attempt to predict a borrower's likelihood of repaying debt, there are meaningful differences between the two models that can impact mortgage lending decisions.

FICO, developed by Fair Isaac Corporation in 1989, became the dominant scoring model because of its long history and strong predictive performance in mortgage lending. Fannie Mae and Freddie Mac, which purchase most conventional mortgages, standardized use of FICO scores to create consistency in underwriting.

VantageScore was introduced in 2006 as a direct competitor to FICO. One major difference between the two systems is how quickly a score can be generated. FICO traditionally requires a more established credit history, while VantageScore can generate a score with only limited activity. This can benefit younger borrowers and consumers with thinner credit files.

The differences between the models can

create noticeable variations in a borrower's score. As an example, one borrower's FICO mortgage scores were 695 with Equifax, 713 with Experian, and 682 with TransUnion. Under VantageScore, those same credit bureaus reported higher scores of 748, 750, and 710 respectively.

Scoring differences occur because the models weigh risk factors differently. FICO emphasizes long-term credit history, established revolving accounts, and traditional mortgage-related behavior. VantageScore places emphasis on more recent activity and overall credit utilization. In the example provided, the FICO model cited concerns such as "too few accounts currently paid as agreed" and "lack of recent revolving account information," while the VantageScore model focused more heavily on total available credit limits and recently opened accounts.

Fannie Mae and Freddie Mac's interest in VantageScore stems largely from concerns surrounding competition and the rising cost of credit reporting. For years, the mortgage industry operated exclusively within a FICO-based "tri-merge" credit reporting environment. Regulators and housing agencies began questioning whether the lack of competition contributed to higher costs for consumers and lenders.

That issue is increasingly important because the cost of mortgage credit reports has risen dramatically in recent years. Borrowers often pay well over \$200 for a married couple's tri-merge credit report. These increases are tied to bureau pricing changes, compliance requirements, and the addition of multiple scoring models.

Supporters of VantageScore believe greater competition may help control costs while expanding access to credit for underserved borrowers. Critics argue that introducing multiple scoring systems could create inconsistencies in underwriting standards.

The good news for borrowers is that while credit reports have become increasingly more expensive, the ability for a mortgage broker to utilize the higher middle score of the two models for underwrit-

ing can have a significant impact on the rate offered to the borrower, and that translates to more buying power.

If you expect that you will need a new home loan or to refinance one soon, you might want to discuss your options with Jaxzann. She works with several of the 20 national lenders who have been approved by FHFA to use the new Vantage Scores and, best of all, she covers the cost for her clients' credit reports. You can reach her at (303) 990-2992.

## Affordable Fixer-Upper in Lakewood's Briarwood



Opportunity knocks in Lakewood's Briarwood neighborhood. This 4-bed, 2-bath bi-level at 926 S. Robb Way offers nearly 2,000 sq. ft., including a 300-sq.-ft. bonus room, and is ready for your vision. The home is fully livable but in rough condition, making it ideal for renovators, investors, or buyers looking to build serious sweat equity. Major systems are already handled: newer sewer line, 2017 roof, 2023 furnace and central A/C, plus upgraded electrical with a 240V EV outlet. The rest is a blank canvas. Hardwood floors need refinishing, siding and paint are due, and the yard awaits a full re-imagining. Bring your creativity and transform this solid, well-located home into something special. It's priced accordingly for its condition. Don't miss this chance to make Briarwood your next project. Watch a narrated video walk-through at [www.GRElistings.com](http://www.GRElistings.com), then call listing agent Chuck Brown at 303-885-7855 to request a private showing..

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