

Subject – Economic Stimulus Update



This month's newsletter features newly released information relating to economic stimulus:

- A summary of the First Time Home Buyer Tax Credit included in the American Recovery and Reinvestment Act
- Q&A on the Homeowner Affordability and Stability Plan, which impacts current homeowners

FIRST-TIME HOMEBUYER TAX CREDIT
As Modified in the American Recovery and Reinvestment Act
Major Modifications Shaded
February 2009

FEATURE	CREDIT AS CREATED JULY 2008 APPLIES TO ALL QUALIFIED PURCHASES ON OR AFTER APRIL 9, 2008	REVISED CREDIT – EFFECTIVE FOR PURCHASES ON OR AFTER JANUARY 1, 2009 AND BEFORE DECEMBER 1, 2009
Amount of Credit	Lesser of 10 percent of cost of home or \$7500	Maximum credit amount increased to \$8000
Eligible Property	Any single family residence (including condos, co-ops, townhouses) that will be used as a principal residence.	No change All principal residences eligible.
Refundable	Yes. Reduces (or can eliminate) income tax liability for the year of purchase. Any unused amount of tax credit refunded to purchaser.	No change Purchasers will continue to receive refund for unused amount when tax return is filed.
Income	Yes. Full amount of credit available	No change

Limit	for individuals with adjusted gross income of no more than \$75,000 (\$150,000 on a joint return). Phases out above those caps (\$95,000 and \$170,000).	Same income limits continue to apply.
First-time Homebuyer Only	Yes. Purchaser (and purchaser's spouse) may not have owned a principal residence in 3 years previous to purchase.	No change Still available for first-time purchasers only. Three-year rule continues to apply.
Revenue Bond Financing	No credit allowed if home financed with state/local bond funding.	Purchasers who utilize revenue bond financing can use credit.
Repayment	Yes. Portion (6.67% of credit or \$500) to be repaid each year for 15 years, starting with 2010 tax filing.	No repayment for purchases on or after January 1, 2009 and before December 1, 2009
Recapture	If home sold before 15-year repayment period ends, then outstanding balance of repayment amount recaptured on sale.	If home is sold within three years of purchase, entire amount of credit is recaptured on sale. Applies only to homes purchased in 2009.
Termination	July 1, 2009 (But note program changes for 2009)	December 1, 2009
Effective Date	Purchases on or after April 9, 2008 and before January 1, 2009. Repayment to begin for 2010 tax year.	All revisions are effective as of January 1, 2009

Source: National Association Realtors

Questions and Answers for Borrowers about the Homeowner Affordability and Stability Plan

Source: Wisconsin Realtors Association

Borrowers Who Are Current on Their Mortgage Are Asking:

1. What help is available for borrowers who stay current on their mortgage payments but have seen their homes decrease in value?

Under the Homeowner Affordability and Stability Plan, eligible borrowers who stay current on their mortgages but have been unable to refinance to lower their interest rates because their homes have decreased in value, may now have the opportunity to refinance

into a 30 or 15 year, fixed rate loan. Through the program, Fannie Mae and Freddie Mac will allow the refinancing of mortgage loans that they hold in their portfolios or that they placed in mortgage backed securities.

2. I owe more than my property is worth, do I still qualify to refinance under the Homeowner Affordability and Stability Plan?

Eligible loans will now include those where the new first mortgage (including any refinancing costs) will not exceed 105% of the current market value of the property. For example, if your property is worth \$200,000 but you owe \$210,000 or less you may qualify. The current value of your property will be determined after you apply to refinance.

3. How do I know if I am eligible?

Complete eligibility details will be announced on March 4th when the program starts. The criteria for eligibility will include having sufficient income to make the new payment and an acceptable mortgage payment history. The program is limited to loans held or securitized by Fannie Mae or Freddie Mac.

4. I have both a first and a second mortgage. Do I still qualify to refinance under the Homeowner Affordability and Stability Plan?

As long as the amount due on the first mortgage is less than 105% of the value of the property, borrowers with more than one mortgage may be eligible to refinance under the Homeowner Affordability and Stability Plan. Your eligibility will depend, in part, on agreement by the lender that has your second mortgage to remain in a second position, and on your ability to meet the new payment terms on the first mortgage.

5. Will refinancing lower my payments?

The objective of the Homeowner Affordability and Stability Plan is to provide creditworthy borrowers who have shown a commitment to paying their mortgage with affordable payments that are sustainable for the life of the loan. Borrowers whose mortgage interest rates are much higher than the current market rate should see an immediate reduction in their payments. Borrowers who are paying interest only, or who have a low introductory rate that will increase in the future, may not see their current payment go down if they refinance to a fixed rate. These borrowers, however, could save a great deal over the life of the loan. When you submit a loan application, your lender will give you a "Good Faith Estimate" that includes your new interest rate, mortgage payment and the amount that you will pay over the life of the loan. Compare this to your current loan terms. If it is not an improvement, a refinancing may not be right for you.

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