

What the Housing Stimulus Bill Can Do for Current Home Owners and Prospective Home Buyers

by Steve Palmer, president, Greater Atlanta Home Builders Association

For the past few months, Congress has considered a variety of measures to help bolster housing and the economy. H.R. 3221, the Housing and Economic Recovery Act of 2008 was signed into law on July 30, 2008. So what does this bill mean to the average citizen? Following are some key provisions included in the bill that will truly benefit Americans and get our economy moving in a positive direction once again.

- **Temporary Home Buyer Tax Credit**—The bill provides \$15 billion in housing tax breaks, including for low-income housing. It gives a credit of up to \$7,500 for first-time home buyers who purchase residences between April 9, 2008, and July 1, 2009 and allows people who don't itemize their taxes to claim a \$500 to \$1,000 deduction on their 2008 property taxes.

The ability to deduct mortgage interest from taxes is already a great financial incentive to own a home. With a tax credit, taxable income is reduced even more the first year after you buy a home, meaning you will get a bigger refund or have a lower tax bill.

This will also help sell homes already on the market. Sellers will in turn buy new homes. Demand will increase, and home prices will stabilize. Stable prices will help protect existing home owners who may need to refinance, as well as sellers who can't afford to take a loss.

- **FHA Modernization**—The bill gives the Federal Housing Administration (FHA) \$300 billion in new lending authority and relaxes standards to provide affordable, fixed-rate mortgages to debt-ridden home owners. The bill also increases the size of loans FHA can insure. Any losses would be covered by an affordable housing fund financed by Fannie Mae and Freddie Mac.
- **GSE Reform**—Fannie Mae and Freddie Mac are government-sponsored enterprises (GSEs) that help lenders give more money to more buyers. The bill tightens controls on Fannie and Freddie; raises the limit on the loans they may buy (set to revert to \$417,000 by the end of the year) to \$625,000 in the highest cost areas; allows the Treasury Department temporary authority to lend money to Fannie and Freddie or buy their stock to avert a collapse of the mortgage giants; and changes the way they are administered to free up more funds for home purchases or to refinance troubled loans.
- **Mortgage Protection**—The bill provides \$3.9 billion in grants to the hardest-hit communities for buying and fixing up foreclosed properties; offers protection from investor lawsuits for mortgage holders that modify loans to borrowers who are in default or about to default; provides \$180 million for pre-foreclosure counseling and legal services for distressed borrower; and gives states an additional \$11 billion in tax-free municipal bond authority for low-interest loans to first-time home buyers, construction of low-income rental housing and refinancing subprime mortgages.

These measures help finance the purchase, rehabilitation or improvement of single-family residences for low- and moderate-income families and individuals. Expanding this program will help distressed borrowers who need to refinance their home loans and will mean fewer homes will go into foreclosure. It will also provide mortgage help for first-time home buyers.

The National Association of Home Builders has launched a new consumer Web site, www.federalhousingtaxcredit.com, which includes a set of comprehensive questions and answers about how the credit works and how consumers can take advantage of it.

More than half a million home owners can benefit from the housing stimulus bill, in turn helping all Americans by restoring housing as an engine of the economy.