

The Bottom Line

Volume 2 | February 2009



News You Can Use

FHA Short Sales Are Now Much Easier To Do

- Gary L. Seymour, Esquire

The Department of HUD has published late last year Mortgage Letter 2008-43 which makes it much easier for the troubled FHA backed Homeowner to short sale his property. If a loan is backed by FHA these new more lax guidelines apply:

No longer does the property have to appraise for 63% of the debt (*A dumb requirement anyway!*) This is very helpful because we have seen many properties drop in value more than 37% of the indebtedness.

HUD now bases its approval of a deal on a tiered approach to accepted value. Specifically, during the first 30 days of marketing HUD will approve a deal if it yields 88% of the new appraised value. After 30 days and up to 60 days of market time HUD will take 86% and after 60 days they will accept 84% of the appraised value. (*This is quite a deal for a prospective buyer!*)

Hey, you know the coolest thing HUD did? (*Yes, HUD can be cool.*) They now allow the seller to give an FHA Buyer 1% in closing cost credit. They never allowed that before. (*Again, pass this along to your buyers looking at FHA short sales.*)

How do you know if you have an FHA backed loan involved in a particular short sale? Simple. Look at the documents signed by the seller when they took out the loan. There are about 50 pages of that loan dedicated to it being an FHA loan (*I'm not exaggerating.*) If the seller does not have the documents then ask the Seller's attorney that did the closing. If an attorney did not do the closing then ask the current servicer (*this is who the seller pays every month.*)

***Special Note:** Agents note that there are NO MORE REDUCED COMMISSIONS on Fannie Mae short sales! On March 2nd, Fannie Mae announced a policy prohibiting lenders from reducing commissions below 6% on short sales! Read all about it at: <http://activerain.com/blogsviw/962437/No-More-Reduced-Commissions-on-Fannie-Mae-Short-Sales>

First-Time Buyer Tax Credit Attempts to Stimulate Real Estate Market

- Jeffrey M. Wasikowski, Esquire

A new tax credit for first-time homebuyers has been passed by the House of Representatives and the Senate was signed into law by President Obama on Tuesday, February 17, 2009. The credit is part of the economic stimulus package that has been talked about for weeks and is intended to provide a shot in the arm to the struggling real estate market. Lawmakers are hoping that the credit will entice would-be buyers to leap off the sidelines and get back into the game.

Although initial reports had suggested that the credit could cap out at \$15,000.00, the National Association of Realtors still project that the smaller credit will stimulate an additional 200,000 home sales nationwide.

The tax credit is capped at 10% of the home price up to \$8,000.000 and is restricted to "first-time" buyers who purchase homes before December 1, 2009. The credit starts to phase out for couples earning more than \$150,000 and individuals with incomes over \$75,000.

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First-Time Buyer Tax Credit... *Continued from page 1*

Fast Track:

Accelerated Loan Modifications

Did you know that the White House is preparing to roll out its own plan to deal with foreclosures and the housing market, (and some \$50 billion in money from the Troubled Asset Recovery Program has been earmarked to help stanch foreclosures? President Barack Obama could outline further steps next week during a swing through Denver and Phoenix, where home prices fell by 33% in 2008, among the worst such declines in the nation. **Find out more by visiting:** <http://blogs.wsj.com/developments/2009/02/13/hud-secretary-calls-for-accelerated-loan-modifications>

After much political rhetoric, it was decided that the credit would not have to be re-paid unless a house is sold within a three year recapture period. This is a key distinction because prior to the plan's passage, first-time buyers who purchase homes between April 1, 2008 and June 30, 2009 were entitled to receive a tax credit of 10% of the home's purchase price up to \$7,500.00; however, the credit had to be repaid annually in \$500.00 installments over a 15 year period. In addition, if the home was resold before the 15 year repayment period expired, the outstanding balance of repayment would have been recaptured upon the sale of the property.

The table below is a comparison of the tax credit initiated by the Housing & Economic Recovery Act of 2008 and the credit as modified in the American Recovery & Reinvestment Act that is about to be signed into law.

- Jeffrey M. Wasikowski

Tax Credit for First-Time Home Buyer As modified in the American Recovery and Reinvestment Act – February 2009		
Law	Credit initiated in July 2008 applies to all qualified purchase made on or after April 9, 2008 (Housing & Economic Recovery Act of 2008 H.R. 3221)	Credit for purchases made on or after January 1, 2009 and before December 1, 2009
Effective Date	Purchases on or after April 9, 2008 and before January 1, 2009. Repayment begins for 2010 tax year.	All revisions are effective as of: January 1, 2009
Termination	July 1, 2009	December 1, 2009
Amount of Credit	Lesser of 10% of purchase price or \$7,500.00	Maximum amount of credit increased to \$8,000.00
"First-Time" Home Buyer Defined	Buyer (*and Buyer's spouse), may not have owned a principal resident in three (3) years prior to their purchase	No Change
Tax Payer Income Limitations	Full credit for all buyers with adjusted gross income of no more than \$75,000.00 (**\$150,000.00 for joint filers.) Credit will phase out over those caps (\$95,000.00 & \$170,000.00)	No Change
Eligible Property	All Single-family principal residences	No Change
Tax Refund	Reduces (*Or may eliminate) income tax liability for year of purchase. Buyers are entitled to receive a refund for unused amount of tax credit.	No Change
Repayment of Credit	\$500.00 to be re-paid annually for 15 years, starting in 2010.	No Repayment for purchases on or after January 1, 2009 and before December 1, 2009
Recapture Tax	If home is sold before 15 year repayment period expires, the outstanding balance of repayment is recaptured upon close of sale.	If home is sold within three (3) years of purchase, the entire amount of the credit is recaptured upon close of sale.

Next Issue: Sneak Peak

Attorney Seymour discloses critical facts and stats regarding:

- Foreclosure alternatives and prevention tactics
- Debt consolidation methodology
- Short sale synergies
- Mortgage fraud tsunami

To read more on the Buyer Tax Credit please visit:

<http://www.nationalassociationofrealtors.com>