

Housing and Economic Recovery Act of 2008 Fact Sheet

BACKGROUND:

- On July 23, 2008, the U.S. House of Representatives passed H.R. 3221, the Housing and Economic Recovery Act of 2008, which was followed by Senate passage on July 26, 2008. President George W. Bush signed this measure into law on July 30, 2008.
- Under this new law, families are provided with the tools they need to enable them to be able to afford to stay in the homes they already own or purchase their first home.
- For additional information on the Housing and Economic Recovery Act of 2008, visit the Department of Housing and Urban Development's (HUD's) webpage www.hud.gov/news/recoveryactfaq.cfm for this new law or the NATIONAL ASSOCIATION OF REALTORS® (NAR's) Housing and Economic Recovery Act of 2008 webpage www.realtor.org/gapublic.nsf/pages/hr_3221_key_provisions.

Here's how this new law will have a positive impact on the real estate industry, housing market, economy and families both across the country and here in New Jersey.

HIGHER GSE AND FHA LOAN LIMITS:

- Home loan limits from Government Sponsored Enterprises (GSE's) Fannie Mae and Freddie Mac, and the Federal Housing Administration (FHA), have been permanently increased by the Housing and Economic Recovery Act of 2008.
- Single-family home loan limits are now permanently authorized for Fannie Mae and Freddie Mac at the greater of \$417,000 or 115% of the local area median sales price, set to a maximum of \$625,000.
- FHA single-family home loan limits have been permanently set at the greater of \$271,050, or 115% of the local area median sales price, also set to a maximum of \$625,000.
- These higher loan limits for Fannie Mae, Freddie Mac and the FHA will go into effect on January 1, 2009, after the limits authorized by the Economic Stimulus Act expire on December 31, 2008.
- These higher loan limits will help those families in danger of foreclosure to refinance their homes using government-backed loans with the ultimate goal of giving families the opportunity to stay in their homes at a more affordable price.

NEW LOAN LIMITS BY NEW JERSEY COUNTY:

- NAR has prepared the chart below showing 2009 estimated single-family maximum loan limits by New Jersey county for the FHA, Fannie Mae and Freddie Mac, based on HUD data.

NJ County	FHA	Fannie Mae/ Freddie Mac
Warren	\$370,300	\$417,000

Cumberland	\$372,600	\$417,000
Burlington	\$386,400	\$417,000
Camden	\$386,400	\$417,000
Gloucester	\$386,400	\$417,000
Salem	\$386,400	\$417,000
Mercer	\$408,400	\$417,000
Atlantic	\$417,450	\$417,000
Cape May	\$448,500	\$417,000
Bergen	\$625,500	\$625,500
Essex	\$625,500	\$625,500
Hudson	\$625,500	\$625,500
Hunterdon	\$625,500	\$625,500
Middlesex	\$625,500	\$625,500
Monmouth	\$625,500	\$625,500
Morris	\$625,500	\$625,500
Ocean	\$625,500	\$625,500
Passaic	\$625,500	\$625,500
Somerset	\$625,500	\$625,500
Sussex	\$625,500	\$625,500
Union	\$625,500	\$625,500

HOMEOWNER'S PROPERTY TAX DEDUCTION:

- The Housing and Economic Recovery Act of 2008 provides homeowners paying property taxes and claiming a standard deduction with a new property tax deduction of either \$500 for individuals or \$1,000 for couples filing a joint return.
- This deduction may be utilized beginning in 2008 by homeowners paying property taxes.

FIRST-TIME HOMEBUYER TAX CREDIT:

- First-time homebuyers are defined as individuals or their spouses if married, who have had no ownership interest in a principal residence during the three-year period ending with the date of the purchase of a principal residence.
- These homebuyers can receive a tax credit on their income tax return in the amount of 10% of the cost of a single-family home used as a principal residence, set to a maximum amount of \$7,500.
- In order to qualify for this tax credit, homes must be purchased between April 9, 2008 and July 1, 2009.
- Those filing tax returns individually with an adjusted gross income of no more than \$75,000 and those filing tax returns jointly with an adjusted gross income of no more than \$150,000 can receive the full credit.
- For those filing individually whose adjusted gross income is \$95,000 and those filing jointly whose adjusted gross income is \$170,000, the tax credit phases out.
- The credit will have to be repaid in increments of 6.67% over a 15-year period.

- Those selling their homes before the 15-year repayment period is complete will have to repay the remaining amount of the tax credit that is due in the year of sale unless there was no gain on the sale.
- For additional information from NAR on the first-time homebuyer tax credit, go to [www.realtor.org/gapublic.nsf/files/hbtaxcreditqa2008.pdf/\\$FILE/hbtaxcreditqa2008.pdf](http://www.realtor.org/gapublic.nsf/files/hbtaxcreditqa2008.pdf/$FILE/hbtaxcreditqa2008.pdf) and [www.realtor.org/GAPublic.nsf/files/chart_homebuyer_tax_credit_.pdf/\\$FILE/chart_homebuyer_tax_credit_.pdf](http://www.realtor.org/GAPublic.nsf/files/chart_homebuyer_tax_credit_.pdf/$FILE/chart_homebuyer_tax_credit_.pdf).

STATE AND LOCAL GOVERNMENT FORECLOSURE ASSISTANCE:

- The Housing and Economic Recovery Act of 2008 authorizes nearly \$4 billion to be disbursed to state and local governments to be utilized for the purchase and redevelopment of abandoned and foreclosed residential properties.
- After the homes are purchased by a state or local government, they can be sold for no more than the cost to acquire and redevelop or rehabilitate the home.
- These funds can not be used on any projects where eminent domain was utilized for redevelopment purposes.
- After these properties are purchased by a state or local government, only families whose income is at or below 120% of the area median income will be allowed to live in these homes. In addition, 25% of the funds used must be for households whose incomes are at or below 50% of the area median income.
- For more information on these grants, visit NAR's Fact Sheet on the Community Development Block Grant Program www.realtor.org/gapublic.nsf/Pages/hr3221cdbgforeclosed?OpenDocument.

HOPE FOR HOMEOWNERS:

- The FHA has been directed to establish a new HOPE for Homeowners program to support long-term, sustainable homeownership by insuring refinanced loans for distressed homeowners so that they may avoid foreclosure of their properties.
- In order to be eligible for this program, mortgages in question must have originated on or before January 1, 2008, borrowers must not be able to afford their current loan, have a mortgage debt to income ratio of at least 31%, only own one home and not intentionally miss mortgage payments to enter this program.
- Under this program, new loans will be in the form of 30-year fixed rate mortgages that do not exceed 90% of current property value set to a maximum amount of \$550,440.
- Borrowers who participate in this program will be required to share future equity on the property with HUD.
- The HOPE for Homeowners program will become effective on October 1, 2008 and will run through September 30, 2011.
- For more information on the HOPE for Homeownership program, visit HUD's website at <http://www.hud.gov/fha/home080730.cfm>.

AFFORDABLE HOUSING TRUST FUND:

- Funded by Fannie Mae and Freddie Mac, HUD will set up and maintain an Affordable Housing Trust Fund. Sixty-five percent of Fannie Mae's and Freddie Mac's contributions will be used for this fund and the other 35% will be used for a Capital Magnet Fund (see below.)
- For the first year of this fund's existence, it will be used to fund the HOPE for Homeowners Program. Thereafter, it will be used to preserve and increase homeownership for very low and low-income families.
- Grants distributed to the states from this fund will be utilized to produce, preserve and rehabilitate affordable housing.
- These funds can be used for down payment assistance, closing cost assistance and assistance for interest rate buy downs.

CAPITAL MAGNET FUND:

- This fund, also financed by Fannie Mae and Freddie Mac, will be set up in the Department of the Treasury and will be responsible for providing grants to attract private capital and increase investment in the development, preservation, rehabilitation and purchase of affordable housing for extremely low, very-low and low-income families.
- Grants will be distributed from this fund to community development financial institutions and nonprofit organizations whose purpose includes the development and management of affordable housing.
- This fund is similar to the Affordable Housing Trust Fund except that grants are distributed to private sector organizations, not public entities.

MILITARY PERSONNEL AND VETERANS HOUSING ISSUES:

- The Housing and Economic Recovery Act of 2008 contained several provisions to assist members of the military and veterans to purchase and stay in their homes.
- Department of Veterans Affairs (VA) home loan guarantees originating between July 30, 2008 and December 31, 2008 have been temporarily increased if the initial loan amount is higher than \$417,000 and no higher than \$729,750. In Alaska, Hawaii, Guam and the U.S. Virgin Islands, initial loan amounts must be higher than \$625,500 and no more than \$1,094,625.
- The VA now guarantees up to 25% of initial loan amounts until the end of 2008. For example, on the sale of a \$500,000 home, the VA will guarantee up to \$125,000 of the initial loan amount.
- The Department of Defense will initiate a program to advise members of the Armed Forces returning from overseas active duty on methods of delaying or preventing foreclosure activities on their homes, including credit and home mortgage counseling.
- The amount of time that service members on active military duty are protected from foreclosure or eviction has been extended from ninety days to nine months following the end of their military service. In 2011, this amount of time will revert back to ninety days.
- Veterans who were permanently disabled in the course of their military service can now qualify for additional grants through the VA that will enable them to improve or structurally alter their homes while they are still hospitalized or receiving outpatient care.

- For more information on VA benefits authorized under the Housing and Economic Recovery Act of 2008 for members of the military and veterans, visit the Department of Veterans Affairs website at www.homeloans.va.gov/circulars/26_08_11.pdf or http://www.homeloans.va.gov/circulars/26_08_12.pdf.

FEDERAL HOUSING FINANCE AGENCY:

- A Federal Housing Finance Agency was created by the Housing and Economic Recovery Act of 2008, which has general regulatory authority over Fannie Mae, Freddie Mac, federal home loan banks and the Office of Finance.
- The director of this agency will have the authority to issue regulations and orders over these regulated entities so that they may continue to provide the means necessary for families to obtain the opportunity to own their own homes.
- This agency will establish and maintain a method of assessing the national single-family home price average so that loan limits can be adjusted on an annual basis for Fannie Mae and Freddie Mac in order to keep up with inflation and aid the housing market.
- Beginning in 2010, the Federal Housing Finance Agency will have goals including the number of mortgages to be purchased (by unit or dollar volume) and the number of mortgages to be purchased on dwelling units for very low income families (defined as those with incomes no greater than 50% of the area median income.)
- In order to maintain confidence in the regulated entities that this agency oversees, an inspector general and ombudsman will be placed within the Federal Housing Finance Agency.

ADDITIONAL ASPECTS OF THE NEW LAW:

- The Housing and Economic Recovery Act of 2008 temporarily increases the low-income housing tax credit for 2008 and 2009 and simplifies the program to encourage builders to create more affordable housing for families.
- The Department of Housing and Urban Development, Department of Energy, Environmental Protection Agency, mortgage industry and states will develop recommendations to eliminate barriers to make the availability, use and purchase of energy efficient mortgages more common.
- HUD will initiate a campaign to inform and educate consumers, builders, lenders and real estate professionals on the availability and benefits of improved energy efficiency and energy efficient mortgages.
- The Treasury Department will make an additional \$100 million in grants to the Neighborhood Reinvestment Corporation for the purposes of providing counseling for homeowners in danger of losing their homes to foreclosure.
- States are permitted to increase their bonding authority by \$11 billion in 2008 to refinance subprime loans and finance the building of additional affordable rental housing.