

First-Time Home Buyer Tax Credit

The Law's Other Provisions

In addition to providing a \$7,500 tax credit for qualified first-time home buyers, the Housing and Economic Recovery Act of 2008 includes a number of other provisions that will help prevent foreclosures, reinvigorate the housing market and strengthen the nation's economy.

Federal Housing Administration Modernization

The maximum FHA-insured loan will be increased to 115 percent of an area's median home price, up to a maximum of \$625,500, with a minimum downpayment of 3.5 percent, up from 3.0 percent currently. The legislation will give the agency greater flexibility to respond to the needs of borrowers, enable more working families to become home owners, provide a viable alternative to the volatile subprime market and allow the FHA to play an important role in stabilizing the mortgage markets. [Read more...](#)

Foreclosure Relief

The legislation will allow the Federal Housing Administration to guarantee up to \$300 billion in refinance mortgages where current mortgage holders agree to accept partial payment so the outstanding principal on the new loan is more affordable for borrowers. This could help as many as 400,000 struggling home owners to stay in their homes, according to Congressional Budget Office estimates. [Read more...](#)

Mortgage Revenue Bonds

States will be provided new authority to issue an additional \$11 billion in bonds to be used to refinance subprime loans, mortgages for first-time home buyers and multifamily rental housing. Expanding this program will help strapped borrowers seeking to refinance their home loans.

Government Sponsored Enterprises

The legislation will reform the regulation of housing government sponsored enterprises (GSEs) Fannie Mae, Freddie Mac and the Federal Home Loan Banks by establishing a strong, independent regulator that will have enhanced authority to raise capital standards and take corrective actions if the GSEs are undercapitalized. It will also permanently increase the maximum loan limit to \$625,500 for Fannie Mae and Freddie Mac. This will help buyers seeking homes in high-priced markets such as California and the Northeast.

The bill also creates a new affordable housing fund to be financed by the GSEs. The fund will be used to finance the construction, maintenance and preservation of affordable rental housing projects nationwide.

To boost investor confidence in Fannie Mae and Freddie Mac, the bill includes a Treasury proposal that will temporarily expand the government's line of credit to Fannie and Freddie and permit the Treasury to purchase an equity stake in the companies through the end of 2009.

Low Income Housing Tax Credit (LIHTC)

The legislation makes significant enhancements to the LIHTC and tax-exempt housing bond programs, which would increase their effectiveness. The LIHTC plays a key role in the construction and rehabilitation of affordable residences. Enhancing this program will enable builders and developers to expand the supply of much-needed affordable rental housing.

Property Taxes

The legislation will provide temporary tax relief for home owners who do not itemize their deductions. For tax year 2008, taxpayers who do not itemize their deductions but pay property taxes will receive a \$500 additional standard deduction (\$1,000 for married couples). This provision will particularly benefit home owners who have paid off their mortgages.

Community Development Block Grants

The legislation provides \$3.9 billion in grants to state and local governments for the purchase of foreclosed homes and the

rehabilitation or redevelopment of residential property.

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