

Due to the current state of the economy, some homeowners find themselves facing potential foreclosure. Others have managed to keep up with their house payments only to find that they cannot qualify to refinance at a lower interest rate. The recent passage of the American Recovery and Reinvestment Act of 2009 and the Making Home Affordable Program offer help to individuals in these situations.

The American Recovery and Reinvestment Act of 2009 provides a Homebuyer Tax Credit of \$8,000 on homes purchased on or after January 1 through December 31. This credit does not have to be repaid, unlike a similar tax credit that was available in 2008. Only first-time homebuyers or buyers who have not had ownership interest in a home in the past three years are eligible. Also, the value of the credit cannot be applied toward the down payment on a home, and income restrictions apply.

The Making Home Affordable Program was introduced by President Barack Obama Feb. 18 and seeks to provide assistance for existing homeowners who have found themselves in financial difficulties. Two key elements of the program include the Home Affordable Refinance Program and the Home Affordable Modification Program.

The Home Affordable Refinance Program is available to homeowners who are up to date on their mortgage payments, but have been unable to refinance at a lower interest rate that would ensure they can stay current on their mortgage payments. Many homeowners in this situation have seen a decrease in their home's value, causing their loan-to-value ratio to increase above 80 percent. The HAR program allows homeowners to work with their mortgage company to reduce the interest rate; however, it does not reduce the total amount owed on the loan.

The Home Affordable Modification Program includes similar features to the refinance plan, but is available to homeowners who are behind in mortgage payments by more than 30 days or have been overdue multiple times over the past 12 months. This program also offers benefits to homeowners whose payments have become unaffordable. If you have an adjustable rate mortgage and have experienced hardships such as a layoff, divorce, illness, etc., then this may be the help you need. Proof of hardship is required.

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At this time only conventional loans qualify for the refinance and modification programs, but changes in loans through the Federal Housing Authority, Veterans Administration and U.S.

Department of Agriculture are pending. Other stipulations for the refinance and the modification program include that the mortgage must be backed by Fannie Mae or Freddie Mac, the loan must have originated prior to Jan. 1, unpaid principal must be less than \$729,750, the borrower must have income deemed able to support new mortgage payments and the owner must occupy the home and not use it as a rental property.

Resources to learn more about the “Making Home Affordable Program”

- Detailed program description from the U.S. Treasury Department: <http://austintxrealestateagent.com/default.asp?QfEcpqApgEArticles>
- Main website for the program: <http://makinghomeaffordable.gov/>
- To determine if you are eligible for the plan: <http://makinghomeaffordable.gov/eligibility.htm>
- National Association of REALTORS Foreclosure & Response Program: <http://realtor.org/foreclosure>
- More information on the government plans to stabilize our economy and housing: <http://financialstability.gov>
- Payment Reduction Estimator: http://makinghomeaffordable.gov/payment_reduction_estimator.html

Resources for the \$8,000 First Time Homebuyer Tax Credit

- IRS guidance on filing for the credit: www.irs.gov/newsroom/article/0,,id=205416,00.html
- Frequently asked questions on the tax credit: [http://austintxrealestateagent.com/virtualoffice_files/FAQ-First%20Time%20Homebuyer%20\\$8K%20Credit.pdf](http://austintxrealestateagent.com/virtualoffice_files/FAQ-First%20Time%20Homebuyer%20$8K%20Credit.pdf)
- IRS Form 5405: <http://austintxrealestateagent.com/default.asp?QfEcpqApgEArticles>

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