

President Bush Signs Housing Bill into Law

On July 30, 2008, President Bush signed into the law the most sweeping housing bill in decades. The bill will assist at-risk homeowners and communities harmed by the recent rise in foreclosures. The Housing and Economic Recovery Act of 2008 includes lengthy and very broad. I have highlighted those portions of the bill that have the most immediate impact on the home purchase market.

Federal Housing Administration (FHA) Program Changes

FHA loan limits will be set at the greater of \$271,050 or 115% of local area median home price, capped at \$625,500 beginning January 1, 2009.

Impact in Omaha: FHA loan limit for all of Nebraska will remain at \$271,050. The loan limit of \$217,050 would have otherwise expired December 31, 2008. If you have buyers who were depending on the Downpayment Assistance Programs you will need to have them under contract and underwritten no later than September 2008.

The downpayment requirement on FHA loans will go up to 3.5% (from 3%). Downpayment Assistance Programs funded by interested parties will be eliminated beginning October 1, 2008

Impact in Omaha: Buyers will no longer be able to receive downpayment assistance from sellers. Downpayment funds must be from buyer's own funds or gifts from family members, churches, or employers. Required down payment increases by 0.5%.

Changes and Stability for the Government Sponsored Enterprises

The Government Sponsored Entities (Fannie Mae and Freddie Mac) will have access to additional financial support from the Federal Government to insure Fannie and Freddie could not fail. Conforming loan limits will be set at the greater of 115 percent of the local area median home price or \$417,000 for a mortgage secured by a single-family residence. For high-cost areas, the loan limits are adjusted to a cap of \$625,500 for a one-unit property or \$625,500. These limits will take effect January 1, 2009.

Impact in Omaha: None, conforming loan limits will remain at \$417,000.

FHA Foreclosure Rescue

Under a new refinance program for homebuyers with problematic subprime loans, lenders would write down qualified mortgages to 85% of the current appraised value and qualified borrowers would get a new FHA 30-year fixed mortgage at 90% of appraised value. Borrowers would have to share 50% of all future appreciation with FHA. The loan limit for this program is \$550,440 nationwide. Program is effective on October 1, 2008.

Impact in Omaha: The intent of the bill is to limit additional foreclosures nationwide. Under this provision, the current lender must agree to accept a lesser payoff similar to a short sale. The big national lenders have expressed their support, but only time will tell how often this will happen.

New Tax Credits

First-time Buyers will receive up to a \$7500 tax credit that would be available for the purchase of single-family, primary residence between April 8, 2008 and June 30, 2009. The credit is repayable over 15 years (making it, in effect, an interest free loan). Tax credit is 10% of the house price with a maximum of \$7500.

Impact in Omaha: This is an additional incentive for first-time buyers. Contact your buyers who bought a house after April 8th of this year and tell them the good news.

The bill also provides taxpayers that claim the standard deduction with up to an additional \$500 (\$1,000 for a joint return) standard deduction for property taxes in 2008.

Stabilizing Neighborhoods

Provides \$4 billion in emergency assistance (Community Development Block Grant Funds) to communities hardest hit by the foreclosure and subprime crisis to purchase foreclosed homes, at a discount, and rehabilitate or redevelop the homes to stabilize neighborhoods and stem the significant losses in home values of neighboring homes.

Impact in Omaha: Unknown at this point, but likely minimal impact as Omaha is not hard hit with foreclosures relative to other parts of the country.

Veterans Administration (“VA”) Changes

Increases VA Home Loan limit for high-cost housing areas, as was done in the stimulus package.

Impact in Omaha: None, loan limits in Omaha were not increased in the stimulus package.

Stricter Loan Originator Requirements

Establishes a nationwide loan originator licensing and registration system that will set minimum standards for loan originator licensing substantially improving the oversight of all originators. All loan originators must go through a criminal background check and register with the Nationwide Mortgage Licensing System and Registry.

Impact in Omaha: This is positive for Omaha and the entire country. The Private Mortgage Group, Nebraska Association of Mortgage Brokers and National Association of Mortgage Brokers have long called for stricter registration requirements for loan originators.