

## President Bush signed into law H.R. 3221 The Housing and Economic Recovery Act of 2008

President Bush signed into law H.R. 3221, the Housing and Economic Recovery Act of 2008 at the end of last month. After months of negotiations between the House and Senate, as well as an initial veto threat by the White House, I am confident that the final version of this bill will serve as a foundation for responsible solutions to the current market realities today and into the future.

H.R. 3221, perhaps the most significant piece of housing-related legislation we have seen in recent years, implements necessary consumer protections while promoting stabilization of the current market and industry through reforms to the Government Sponsored Enterprises, Fannie Mae and Freddie Mac, (GSEs) and the Federal Housing Administration (FHA) program.

### *What does this mean for you and your clients?*

- **First Time Homebuyer Credit:** Allows first-time homebuyers of a principal residence in the United States to take a tax credit of 10 percent of the purchase price of the residence (not to exceed \$7500). The credit will begin to phase out if single taxpayer's income exceeds \$75,000 per year or the couple's income exceeds \$150,000. The credit will be paid back over 15 years and applies to residences purchased between April 9, 2008 and July 1, 2009.
- **FHA Modernization:** Effective January 1, 2009 it increases FHA loan limits for single-family residences to the lesser of 115 percent of the local area median home price (but no lower than a floor of 65 percent of \$417,000) or 150 percent of the GSE high cost loan limit of \$417,000 or \$625,500 (similar increases for other 2-4 unit single-family properties); establishes a 12-month stay on FHA's proposal for risk-based premiums; sets the down payment requirement at 3.5 percent; and prohibits seller-funded down payment assistance (both direct or through a third party). Authorizes a \$25 million appropriation to improve technology, processes, program performance, eliminate fraud and provide appropriate staffing.
- **GSE Loan Limit Increases:** The loan limits were 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, \$533,850 for a 2-family residence, \$645,300 for a 3-family residence, and \$801,950 for a 4-family residence. These limits will take effect January 1, 2009. For high-cost areas, the loan limits are adjusted to a cap of 150 percent of the GSE limit of \$417,000 for a one-unit property or \$625,500. These limits will take effect January 1, 2009.
- **GSE Oversight Reform:** Creates a new regulator (five-year term, appointed by the President, confirmed by the Senate) with oversight authority similar bank regulators, establishes a new affordable housing fund and capital magnet fund to be funded by a 4.2 basis point fee on all new loans, significantly changes the affordable housing goals and raises the conforming loan limit to the higher of \$417,000 or 115% of the local median home price, not to exceed \$625,500 (effective January 1, 2009).
- **FHA Rescue:** Creates a voluntary program for lenders to write down the loan balance in exchange for an FHA guaranteed loan not to exceed 90 percent of the newly appraised value of the home. The lender would pay a 3 percent FHA loan origination fee. To qualify, the borrower must have a debt-to-income ratio above 31 percent on the original loan. The program is capped at \$300 billion.
- **GSE Stability:** Authorizes the Treasury Secretary to temporarily increase the GSEs' line of credit and to, if necessary, buy equity in the GSEs in order to provide confidence to credit markets. Also provides a role for Treasury and the Federal Reserve in GSE oversight to ensure safety and soundness.

*(By Marc Savitt, CRMS - NAMB President)*

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