

A green highway sign with a white border, mounted on a metal post. The sign is set against a blue sky with light clouds. The text on the sign is white and reads: "Wall Street? Main Street? What about YOUR street?".

Wall Street? Main Street?
What about YOUR street?

The Housing and Economic Recovery
Act's influence on homeownership
and housing counseling agencies



The Bill

- Conforming Loan limits raised to 150%
- New Housing Trust Fund, and Capital Magnet Fund, which will be used for construction of affordable rental housing
- FHLB public use of database for such programs



The Bill

- Hope for Homeowners
- Foreclosure Prevention Act of 2008
- Tax Credit for Homeowners



Hope 4 Homeowners



Hope 4 Homeowners

- An estimated 400,000 borrowers in danger of losing their homes will be able to refinance into more affordable government - insured loans
- The program offers government insurance to lenders who voluntarily reduce mortgages for at-risk homeowner to at least 90% of the properties current value with a 3% insurance premium



Hope 4 Homeowners

- Voluntary program within FHA to back FHA-insured mortgages to distressed borrowers
- Must be borrower's primary residence
- Homeowners will share future appreciation with FHA



Hope 4 Homeowners

- Debt to Income ratio greater than 31% as of March 1, 2008
- Maximum loan amount capped at \$550,440 for a 1 unit property



Hope 4 Homeowners

- Long-term affordability
- No investor or lender bailout
- No windfall for borrowers

Hope 4 Homeowners

Shared Appreciation. When an owner sells or refinances a mortgage, HOPE and the borrower share any equity created as a direct result of such sale or refinance:

- Less than 1 Year, HOPE gets 100%;
 - Year 1-2, HOPE gets 90%;
 - Year 2-3, HOPE gets 80%;
 - Year 3-4, HOPE gets 70%;
- Year 4-5, HOPE gets 60%; and
 - Year 5+, HOPE gets 50%.



Hope 4 Homeowners

- What other information will counselors need to assist borrowers choosing the best option (deed in lieu, short sale, H4H or FHA secure)
- What is a reasonable cap in fees for borrower to incur?



Hope 4 Homeowners

- With no written credit score requirements, what will mandate banks and lenders to use an approach that recognizes the reason for a drop in scores?



Discussion

- What incentives do loan officers and brokers receive to participate in the program?
- Should there be a cap on the interest rate that lenders are required to use when refinancing to a FHA loan? What about the yield spread?

A large green highway sign with a white border, mounted on a metal structure. The sign is the central focus of the image. The background shows a blue sky with light clouds and a concrete structure, possibly part of a highway interchange.

Foreclosure Prevention Act of 2008



Foreclosure Prevention Act of 2008

- Program will increase the FHA loan limit to 115% of area median home prices, with a cap of \$625,000
- Down payment of 3.5% required can not be a gift
- Counseling requirements are enhanced.



Foreclosure Prevention Act

- Home Equity Conversion Mortgages (Reverse Mortgages) can be used as foreclosure prevention.
- Counseling requirement



Foreclosure Prevention Act

- Limits origination fees to 2% of the maximum claim amount up to the first \$200,000, and 1% thereof with a maximum \$6,000
- Enhanced Mortgage Disclosure



Foreclosure Prevention Act

- Assist communities - supplemental CDBG funds
- Providing Pre-foreclosure Counseling
\$150 million dollars of additional funding for housing counseling, in addition \$30 million dollars is provided to help with legal services



Discussion

- Pre foreclosure Counseling funds distributed by the Neighborhood Reinvestment Corporation by the end of 2008, Has anyone received funds in this capacity?
- Are counselors aware of how municipalities plan to spend the NSP funds? Is counseling a part of the spending plan?

A large green highway sign with a white border, mounted on a metal post. The sign is set against a clear blue sky. The text on the sign is centered and reads "First-time Homebuyer Tax Credit".

First-time Homebuyer
Tax Credit



Tax Credit for Homeowners

- First-time Homebuyer Tax Credit 10% of cost of home, not to exceed \$7500
- Income Limit - \$75,000 individual, \$150,000 joint gross income
- Recapture - to be repaid over a 15 year term at a rate of 6.67% per year



Tax Credit for Homeowners

- The \$7500 credit will be available for purchase of a principle residence on or after April 9, 2008 and before July 1, 2009



Tax Credit for Homeowners

- The act also allows homeowners who do not itemize on their tax returns to deduct up to \$500 in property taxes (up to \$1,000 for joint filers)

Discussion

- How will current clients benefit from this program?
- What type of information would you need as a counselor to convey this program to your clientele?

Overview Discussion

- Will this really restore confidence, liquidity and transparency?
- What can Housing Action Illinois do to help you and your clients benefit most from this Bill?
- What are the key steps for 2009, for Housing Counselors to utilize the aspects of the Recovery Bill successfully?

Thank you for your participation!

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