

## **DONOVAN ANNOUNCES RECOVERY ACT'S HOMEBUYER TAX CREDIT CAN IMMEDIATELY HELP THOUSANDS OF FIRST-TIME HOMEBUYERS TO BUY A HOME**

***FHA plan will stimulate new home sales and help stabilize housing market***

WASHINGTON - Speaking to the National Association of Home Builders Spring Board of Directors Meeting, U.S. Housing and Urban Development Secretary Shaun Donovan today announced that the Federal Housing Administration (FHA) will allow homebuyers to apply the Obama Administration's new \$8,000 first-time homebuyer tax credit toward the purchase costs of a FHA-insured home. Donovan said that today's action will help stabilize the nation's housing market by stimulating home sales across the country.

The *American Recovery and Reinvestment Act of 2009* offers homebuyers a tax credit of up to \$8,000 for purchasing their first home. Families can only access this credit after filing their tax returns with the IRS. Today's announcement details FHA's rules allowing state Housing Finance Agencies and certain non-profits to "monetize" up to the full amount of the tax credit (depending on the amount of the mortgage) so that borrowers can immediately apply the funds toward their down payments. Home buyers using FHA-approved lenders can apply the tax credit to their down payment in excess of 3.5 percent of appraised value or their closing costs, which can help achieve a lower interest rate. To read the FHA's new mortgagee letter, visit [HUD's website](#).

"We believe this is a real win for everyone," said Donovan. "Today, the Obama Administration is taking another important step toward accelerating the recovery of the nation's housing market. Families will now be able to apply their anticipated tax credit toward their home purchase right away. At the same time we are putting safeguards in place to ensure that consumers will be protected from unscrupulous lenders. What we're doing today will not only help these families to purchase their first home but will present an enormous benefit for communities struggling to deal with an oversupply of housing."

Currently, borrowers applying for an FHA-insured mortgage are required to make a minimum 3.5 percent downpayment on the purchase of their home. Current law does not permit approved lenders to monetize the tax credit to meet the required 3.5 percent minimum down payment, but, under the terms of today's announcement, lenders can now monetize the tax credit for use as additional down payment, or for other closing costs, which can help achieve a lower interest rate. Buyers financing through state Housing Finance Agencies and certain non-profits will be able to use the tax credit for their downpayments via secondary financing provided by the HFA or non-profit. In addition to the borrower's own cash investment, FHA allows parents, employers and other governmental entities to contribute towards the downpayment. Today's action permits the first-time homebuyer's anticipated tax credit under the Recovery Act to be applied toward the family's home purchase right away. Unlike seller-funded down-payment assistance, which was a vehicle for abuse, this program will allow homebuyers to shop for the best home price and services using their anticipated tax credit.

According to estimates by the National Association of Home Builders, the Administration's homebuyer tax credit will stimulate 160,000 home sales across the nation - 101,000 of which will be first-time buyers who will receive the credit. Another 59,000 existing homeowners will be able to buy another home because a first-time buyer purchased their home. Given FHA's current market share, it's

estimated that thousands of families will be able to purchase a home by allowing the anticipated tax credit to be applied toward their purchase together with an FHA-insured mortgage.

Homebuyers should beware of mortgage scams and carefully compare benefits and costs when seeking out tax credit monetization services. Programs will vary from organization to organization and borrowers should consider whether the services make sense for them, as well as what company offers the most suitable and affordable option.

For every FHA borrower who is assisted through the tax credit program, FHA will collect the name and employer identification number of the organization providing the service as well as associated fees and charges. FHA will use this information to track the business closely and will refer any questionable practices to the appropriate regulatory agencies, as necessary.

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*HUD is the nation's housing agency committed to sustaining homeownership; creating affordable housing opportunities for low-income Americans; and supporting the homeless, elderly, people with disabilities and people living with AIDS. The Department also promotes economic and community development and enforces the nation's fair housing laws. More information about HUD and its programs is available on the Internet at [www.hud.gov](http://www.hud.gov) and [espanol.hud.gov](http://espanol.hud.gov).*