

Home Buyer Tax Credit May Now Be Used at Closing

In an effort to help accelerate the recovery of the housing market, Department of Housing and Urban Development (HUD) Secretary Shaun Donovan announced new rules that would allow the \$8,000 first-time home buyer tax credit to be used to help with certain downpayment and closing costs.

Initially, home buyers could only file for and receive the \$8,000 tax credit after they closed on the home and moved into it as their primary residence.

In January 2009, the Missouri Housing Development Commission was the first state housing finance agency (HFA) to develop a program that provided a short-term loan to qualified home buyers which allowed them to use the tax credit to help with the upfront costs at closing.

Nine other states soon followed Missouri's lead, including Colorado, Delaware, Idaho, Kentucky, New Jersey, New Mexico, Ohio, Pennsylvania, and Tennessee. During the 2009 Florida legislative session, laws were passed that allow Florida Housing Finance Corporation to provide these short term loans through the FHOP program. For more information visit www.floridahousing.org.

HUD Secretary Donovan's announcement in late May provided the guidelines approved by the Federal Housing Agency (FHA) that other state housing finance agencies, as well as certain newly-included non-profits, can use to monetize the tax credit.

Due to the complexities of the program, there seem to be as many questions out there as there are answers. Here are answers to some commonly-asked questions:

What does "monetizing" the tax credit mean?

In the context of the home buyer tax credit, monetization means to treat the payment of the credit as if it was cash and allow its use as a payment for certain closing and downpayment expenses.

I see that certain lenders can provide this service as well. How do I find them?

In addition to state agencies, FHA-approved lenders may be offering to purchase a first time home buyer's tax credit in conjunction with an FHA-insured mortgage loan. Check with area lenders, home builders, or real estate agents for the names of participating lenders. You can also find FHA-approved lenders at www.fhaoutreach.gov/FHALookup.

What types of loans qualify?

At this time only the FHA has issued guidance regarding the monetization of the first-time home buyer tax credit in conjunction with FHA-insured mortgage loans.

Is this an interest-free loan or are there fees associated with this type of short-term loan?

If a governmental agency, such as a state housing finance agency, or an FHA-approved lender purchases a first-time home buyer tax credit, they are allowed to charge no more than 2.5 percent of amount of the credit.

Since the program is still relatively new, some lenders and housing finance agency staff are still working on programs to provide this service. To find out if a program to monetize the tax credit is available to you, contact your lender or state housing finance agency today.

For more resources to help you understand the process of financing and buying a home, visit www.nahb.org/forconsumers. You can also find more information about the first-time home buyer tax credit at www.federalhousingtaxcredit.com. Find your new home in the Tallahassee area at www.tallyba.com.