



Update

i. President Signs the Stimulus Bill

H.R. 1, the "American Recovery and Reinvestment Act of 2009" (AARA), passed the House on February 13, 2009, by a vote of 246 - 184. On the same day, the Senate passed the bill by a vote of 60 - 39. The President signed the bill on Tuesday, February 17, 2009. The bill is a \$780 billion package, with roughly 35% of the package devoted to tax cuts (mostly for 2009) and the rest to spending intended to occur in 2009 and 2010.

The mix of provisions of interest to Realtors® changed frequently throughout the legislative process, with changes continuing to be made just hours before the measure was released prior to the vote. In the end, key elements of NAR's housing agenda prevailed.

Highlights of provisions in the bill included:

- *Homebuyer Tax Credit* — The bill provides for an \$8,000 tax credit that would be available to first-time home buyers for the purchase of a principal residence on or after January 1, 2009 and before December 1, 2009. The credit does not require repayment. Most of the mechanics of the credit will be the same as under the 2008 rules: the credit will be claimed on a tax return to reduce the purchaser's income tax liability. If any credit amount remains unused, then the unused amount will be refunded as a check to the purchaser. For more details, please see section iii.
- *FHA, Fannie Mae and Freddie Mac Loan Limits* — The bill reinstates last year's 2008 loan limits for FHA, Freddie Mac, and Fannie Mae loans. These limits were equal to the greater of 125% of the 2008 local area median home price or \$271,050 for FHA and \$417,000 for Fannie and Freddie, with an overall maximum cap of \$729,750. For the few areas where the 2009 limits were higher, the higher limits will apply. In addition, the bill includes language providing the HUD Secretary with the discretion, to increase the loan limit for any "sub-area", i.e. an area smaller than a county. The Secretary's discretion is again limited by the \$729,750 cap. These 2009 limits will expire December 31, 2009.

The inclusion of these loan limit provisions in the final bill is a victory for homeowners, buyers and Realtors®. While these new limits were included in a version of the original stimulus bill approved by the House, the bill first approved by the Senate did not. NAR's Call for Action to both the House and the Senate prior to the final vote advocated strongly for the provisions which were then included in the final bill approved by both Chambers. NAR has estimated the new 2009 Loan Limits by county which can be viewed [here](#).

For more details on the Stimulus bill including other provisions such as neighborhood stabilization, low income housing grants, and broadband deployment, to name a few, please [click here](#) or visit www.realtor.org/government_affairs.

ii. Obama Administration Announces "Homeowner Affordability and Stability Plan"

On February 18, 2009, the White House released its "Homeowner Affordability and Stability Plan" as part of the President's broad strategy to get the economy back on track. The plan is intended to help up to seven to nine million families restructure or refinance their mortgages to avoid foreclosure. The key components of the "Homeowner Affordability and Stability Plan" are:

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- For responsible homeowners who took out conforming loans owned or guaranteed by Fannie Mae or Freddie Mac, they can refinance through those two institutions. This program is estimated to help as many as four to five million people.
- A \$75 billion Homeowner Stability Initiative which includes a loan modification plan estimated to reach three to four million homeowners. It is a shared effort with lenders to reduce interest payments and provides incentives to servicers and borrowers.
- Supporting low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac. This will be accomplished by Treasury increasing its Preferred Stock Purchase Agreements from \$100 billion each to \$200 billion each and raising the GSEs' retained mortgage portfolios by \$50 billion to \$900 billion.

To view the executive summary for the "Homeowner Affordability and Stability Plan" please [click here](#). For a fact sheet on the Plan, please [click here](#).

iii. Congress Approves Homebuyer Tax Credit

The centerpiece of the tax section of the stimulus package was the first-time homebuyer tax credit. After considerable and stressful negotiations, the tax-writers who negotiated the final package were able to make only modest improvements to the rules enacted in 2008. Most of the mechanics of the credit will be the same as under the 2008 rules: the credit will be claimed on a tax return to reduce the purchaser's income tax liability. If any credit amount remains unused, then the unused amount will be refunded as a check to the purchaser. In brief, these are the changes made:

- The credit amount is increased from \$7,500 to \$8,000.
- The credit continues to apply only to first-time homebuyers and is phased out for individuals with incomes above \$75,000 and couples with incomes above \$150,000.
- Changes are effective for purchases on or after Jan 1, 2009 and before Dec 1, 2009.
- 2009 purchasers can make an election to claim the credit on their 2008 tax return.
- The credit is refundable. The amount of the refund is computed as part of the 1040 tax return filing.
- The unpopular repayment feature of the 2008 version is eliminated for 2009 purchasers. Unfortunately, eligible 2008 purchasers will still be required to repay the credit.
- While the repayment is eliminated for 2009, any credit that is taken for 2009 will be recaptured and paid to the IRS from sales proceeds if the residence is sold within three years of the date of purchase.
- DC homebuyers are eligible for the \$8,000 credit (In 2008, DC homebuyers had a separate, nonrepayable \$5000 tax credit available to them that had already been in effect for several years.)
- Purchasers who finance their 2009 purchases with funds from a state/local housing bond authority will be eligible for credit.

To compare the differences between the 2008 and 2009 versions of the credit, please [click here](#).

iv. NAR Surveys Members on Old Homebuyer Tax Credit

During the week of January 5, NAR surveyed a sample of its members to test their perceptions of the first-time Homebuyer tax credit. The goals of the survey were to find out the extent to which consumers were aware of the credit and to gather information about Realtor® perceptions of consumers' interest in the credit.

The compiled results showed that most first-time homebuyers are unaware of the credit. When they learn about the credit, the majority do not find it to be an incentive, largely because of the repayment feature. Seventy-one percent of the Realtor® respondents indicated that the repayment feature was the biggest obstacle to consumer interest. Sixty percent said that consumers perceive the credit as an additional debt and not as an incentive. NAR used this data to successfully persuade Congress to end the repayment feature of the credit. To view the survey [click here](#).

v. Obama Administration Announces Financial Stability Plan

On February 10, 2009, Treasury Secretary Timothy Geithner announced broad outlines for the Obama Administration's Financial Stability Plan. Much more detail is needed. The Plan has 6 key elements:

1. *Financial Stability Trust* — After a bank "stress test" to assess a bank's condition, eligible banks may receive federal assistance to support their capital position, until the return of private capital investments. As NAR has urged in its Housing Stimulus Plan, federal funds will be conditioned on the bank increasing lending beyond what would have occurred otherwise.
2. *Public-Private Investment Fund* — This fund will be used to remove troubled assets from the books of banks and will seek to leverage public capital to leverage private capital for the program. The initial program level will be \$500 billion, with potential growth to \$1 trillion. NAR supports retargeting the TARP program to get bad assets off the books of banks to enable them to make more loans.
3. *Consumer and Business Lending under TALF* — The Plan would expand the Term Asset-Backed Securities Loan Facility (TALF) to promote additional consumer and business lending. The current \$200 billion program will be expanded to up to \$1 trillion and, as urged by NAR, will allow the Fed to accept commercial real estate mortgage loans as security for loans to lenders. The Treasury Department will continue to consult with the Federal Reserve on further expansion to other asset classes, including private residential mortgage backed securities.
4. *Transparency and Accountability, Monitoring and Condition* — The entire program will require transparency, accountability, and conditions on the use of the assistance, requirements long-supported by NAR. Recipients must account for how they use every dollar received, including how many new loans are being provided and how many mortgaged-backed and asset-backed securities they have purchased. All recipients must commit to participating in mortgage foreclosure mitigation programs.
5. *Housing Support and Foreclosure Prevention* — The Administration has announced it is still developing a program to minimize foreclosures and restructure troubled mortgages, with details to follow soon. It plans include maintaining downward pressure on interest rates through the ongoing Fed program to purchase \$500 billion of mortgage-backed securities (MBSs) of the government sponsored enterprises (GSEs), using \$50 billion to prevent foreclosures, and establishing national standards for loan modifications. NAR's Plan strongly supports lower interest rates to stabilize the housing markets and create a foundation for the economic recovery.
6. *Small Business and Community Lending Initiative* — The plan seeks to reverse the huge decline in Small Business Administration lending by unfreezing the secondary markets for small business loans.

vi. Freddie Mac Increases Fees, Following Fannie Mae Lead

On January 30, 2009, Freddie Mac announced fee increases, effective April 1, 2009. The Bulletin explained that Freddie expects that continuing declines in home values through 2009 will result in higher default rates for mortgages with lower credit scores or higher loan-to-value (LTV) ratios. Freddie anticipates that mortgages with additional risk characteristics, such as cash-out refinancings, interest-only adjustable rate mortgages, and condominium unit mortgages are at even greater risk of default.

Among the Freddie Mac fee increases are (1) 75 basis points for condominium unit mortgages with LTV ratios greater than 75 percent; (2) 25 basis points for interest-only ARMs; (3) 25, 50 or 75 basis points for mortgages with certain credit score and LTV ratio combinations; and (4) 25 or 50 basis points for cash-out refinancings with certain credit score/LTV ratio combinations.

The Freddie Mac increases follow increases Fannie Mae announced on December 29, 2008. On January 2, 2009, in response to the Fannie Mae increases, and anticipating that Freddie Mac would follow Fannie's lead, NAR President Charles McMillan wrote to Director Jim Lockhart, head of the Federal Housing Finance Agency and the federal conservator and regulator of Fannie Mae and Freddie Mac. The letter questioned whether it makes sense, from a policy standpoint, to increase fees considering the mission of the GSEs to promote affordable homeownership. NAR urged Director Lockhart, in the absence of a compelling justification, to require Fannie Mae to rescind the fee increases and to direct Freddie Mac not to raise its fees.

Director Lockhart has not yet responded to the January 2, 2009 letter, but in light of the Freddie Mac increase, it is clear that he agrees that the enterprises should increase fees, notwithstanding NAR's concern about the negative impact on mortgage affordability.

vii. NAR Submits Comments on Proposed TILA Rule

On February 9, 2008, NAR President Charles McMillan [submitted NAR's comments](#) on a proposed Federal Reserve Board rule to improve consumer disclosures under the Truth in Lending Act (TILA). The letter generally supports the rule that would increase information that lenders are required to disclose to borrowers about mortgages.

viii. NAR Launches New Radio Show

Real Estate Today, a new national radio show produced by NAR, will premiere on February 14, 2009 and air online at www.RETRadio.com. *Real Estate Today* will cover the benefits and challenges of homeownership, from expert advice on buying and selling, to remodeling and landscaping, to the state of the current market and home financing issues. The show will be an interactive experience that offers listeners an opportunity to exchange information and learn from some of the nation's most recognized experts on a variety of real estate related topics such as landscaping, gardening, carpentry and general contracting, as well as mortgage experts and respected members of the media. Hosted by award-winning radio broadcaster Gil Gross, the show will offer a fast-paced format that includes provocative experts, listener call-ins, field reports and a customized segment on local market conditions.

ix. NAR Holds Webinar on New RESPA Rule

On Wednesday, February 4, 2009, NAR held a webinar with RESPA Attorney Phil Schulman covering the major provisions of the new RESPA rule set to go into effect January 1, 2010. Schulman discussed the new Good Faith Estimate, the new HUD-1, and a number of other provisions important to real estate agents, brokers, and others in the broader real estate industry. Schulman also gave his perspective on the likely prospects of lawsuits by the NAHB and NAMB dealing with "required use" and yield spread premium respectively. To view the webinar and accompanying powerpoint presentation, [click here](#) or visit www.realtor.org/res.

x. Announcements

Webinar on EPA's New Lead-Based Paint Repair and Renovation Rule

On Thursday, February 26, 2009 at 2:00pm Eastern Standard Time, NAR staff and outside experts will host its final Webinar for Realtors® to learn about EPA's new lead-based paint repair and renovation rule, and how this new rule will impact property managers. During the Webinar, NAR staff and experts will discuss the details of the new rule and how to comply with these new lead-based paint requirements. There will be a powerpoint presentation with all of the information available to download, as well as the opportunity to ask questions. If you are interested in registering, either [click here](#) or contact Russell Riggs at rriggs@realtors.org

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