

President Signs Historic Housing Bill

This morning President Bush signed the "Housing and Economic Recovery Act of 2008." This federal housing bill is a significant move in the right direction for California homeowners. It will aid in stabilizing our economy and help stem foreclosures, while also providing support to first-time homeowners.

The legislation will assist an estimated 400,000 homeowners facing foreclosure, many of whom reside in California, by allowing them to refinance their current mortgages with a Federal Housing Administration (FHA)-backed loan. The bill also will permanently increase FHA, Fannie Mae, and Freddie Mac loan limits in high-cost areas.

The bill permanently increases the conforming loan limit to \$625,500. It will allow California homeowners to refinance their loans into safe affordable loan products and allow first-time homebuyers to enter the market. In February, the Economic Stimulus Act of 2008 was signed, temporarily raising the conforming loan limit in high-cost areas to \$729,750 from \$417,000 until December 31, 2008.

The new loan limits for Fannie Mae and Freddie Mac are the greater of either \$417,000 or 115 percent of an area's median home price, up to \$625,500. The new FHA loan limit will be the greater of \$271,050 or 115 percent of an area's median home price, up to \$625,500. Both new loan limits will be effective at the expiration of the economic stimulus limits on December 31, 2008.

Bill provisions include:

- A temporary increase in mortgage revenue bonds to refinance subprime mortgages.
- New regulator for Government Sponsored Enterprises to restore investor confidence in GSE loans and help the market and economy stabilize.
- First-time homebuyer tax credit, which allows first-time homebuyers to receive a tax refund worth up to 10 percent of a home's purchase price, up to a maximum of \$7,500. The refund serves as an interest-free loan and the homeowner is required to repay it in equal installments over 15 years.
- Temporary raise in the loan limit for the Veterans Affairs home loan guarantee program to the same level as the economic stimulus limits until the end of 2008.
- Adjustment to the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA), allowing sellers to provide the non-foreign affidavit to a qualified closing entity and not just the buyer.
- The setting of minimum requirements for mortgage originators, which mandates fingerprinting of loan originators and establishes a nationwide loan originator licensing and registration system. The requirements do not apply to those only performing real estate brokerage activities unless a lender, mortgage broker, or other loan originator compensates them. States will have the ability to implement more stringent laws.
- The creation of a National Affordable Housing Trust Fund to help cover the cost of the FHA rescue plan for the first five years and develop affordable housing in subsequent years.
- The Treasury Department's proposal to create a federal backstop program to insure the financial well being of Fannie Mae and Freddie Mac.
- The FHA's inability to insure loans that utilize a seller-funded down-payment assistance program. Down-payment assistance from family, employers and other nonprofits is still allowed.
- The Community Development Block Grant Programs' \$4 billion allotment for communities to purchase and refurbish foreclosed homes.