



# Housing Alert

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## HUD REINTRODUCES PLAN TO ALLOW FHA BORROWERS TO ACCESS THE \$8,000 FIRST-TIME HOMEBUYER TAX CREDIT FOR DOWNPAYMENTS

This morning, HUD secretary Shaun Donovan 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, including manufactured and modular homes.

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.

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

For more information, click:

<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/index.cfm>.