



Act Fast for Obama's Housewarming Gift And Other Significant Homebuyer Benefits in DC

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President Obama's stimulus package includes a rebate for first-time homebuyers, designed to get the country's housing markets moving again. First-time homebuyers, defined as anyone who has not owned a home in the past three years, with adjusted gross income under \$75,000 for a single filer or \$150,000 for joint filers, can receive an \$8,000 rebate check when they purchase a home between Jan. 1 and Nov. 30, 2009.

Eligible homebuyers can't currently owe any money to the IRS, and they must live in the home as their principal residence for three years. This rebate differs from the \$5,000 DC federal tax credit for first-time buyers and the 2008 nationwide \$7,500 federal tax credit, which was a zero percent interest loan requiring repayment over 15 years. These two federal tax credits were credits against federal income taxes owed in the future, which would result in larger tax refunds on taxes already collected.

The 2009 \$8,000 first-time homebuyer federal tax credit can be claimed immediately after settling on a home with an estimated 60 days to receive the rebate check. Your claim is made by submitting an amendment to your 2008 federal tax return; there's no need to wait until April 2010 when filing your 2009 tax return.

If you are thinking of buying a home and want to take advantage of this rebate, you need to act fast. The 2009 home buying credit is only for home purchases settling by Nov. 30, 2009, and not later. Unless you have identified the home and are qualified for financing by the end of September, it will be difficult to be certain that you will receive the \$8,000 check. If your settlement is delayed past Nov. 30, you will not qualify for the \$8,000 rebate.

While that \$8,000 housewarming check is a wonderful incentive to purchase a home before Nov. 30, you should also focus on the long-term

costs and benefits of homeownership.

To help with those longer-term issues, the District of Columbia government provides the most generous set of homebuyer support and tax benefits of any location in the country. These benefits include down payment assistance, closing cost credits, real estate tax abatement and a special federal income tax credit for those who may not be eligible for the \$8,000 credit. Most people, including real estate professionals, don't know all the programs. Homebuyers should learn about these benefits and take full advantage.

Down Payment Loans for DC Residents and DC Government Employees

Current District residents can qualify for the Home Purchase Assistance Program (HPAP) zero percent interest loans of up to \$40,000 with no payments for five years, plus up to \$4,000 toward closing costs. These loans can save as much as \$300 a month in mortgage cost during the first five years, totaling \$18,000 in savings. Eligibility and terms are based on the income and number of people in the household. For example, a one-person household with income below \$43,050 can receive up to \$40,000. A single person with income below \$50,000 can receive up to \$15,250. Larger households with higher incomes can receive larger benefits. HPAP is administered by the Greater Washington Urban League (202-265-8200) on behalf of the DC Department of Housing and Community Development.

Buyers can purchase a home with a minimum borrower contribution of only \$500, or half of their liquid assets over \$3,000. For example, a borrower with \$5,000 in liquid assets needs to contribute \$1,000, not the \$500 minimum.

District government full-time em-

ployees may qualify for the Employer Assisted Housing Program (EAHP), which provides deferred loans of up to \$10,000 with no interest or payments until the property is sold or refinanced. The EAHP loan can be combined with HPAP for DC residents who work for the DC government. More information on EAHP is available through Housing Counseling Services, which provides EAHP intake for the DC government, at 202-667-7006.

Closing Cost Credits for DC Transfer Taxes

On properties purchased for \$326,760 or less, homebuyers are exempt from the 1.1 percent DC recordation tax and may be eligible for the seller to pay the amount of the 1.1 percent transfer tax toward the buyer's closing costs in lieu of the seller paying this tax to the DC government. It is best that the seller's agreement to do this, at no cost to the seller, be written into the purchase contract. On a \$200,000 property, the buyer avoids the \$2,200 recordation tax and the seller could pay the amount of the \$2,200 transfer tax toward the buyer's closing costs, which would lower the borrower's costs by \$4,400. Income and household size maximums apply to these benefits. The maximum income for a one-person household is \$53,760. For three persons, it is \$69,120. There are higher income limits for homes in parts of Southeast DC.

Real Estate Tax Abatement for Five Years

Lower-income buyers are also eligible for abatement of annual real estate taxes for five years beginning on the Oct. 1 start of the tax year following purchase. The buyer pays real estate taxes through Sept. 30 following purchase and then owes no taxes for five years. At today's tax rates, the owner of a home purchased at \$200,000 would

save at least \$142 a month for 60 months, or at least \$8,500.

DC Homebuyer Federal Income Tax Credit

DC Congresswoman Eleanor Holmes Norton has ensured continuance of the \$5,000 federal income tax credit for purchases in DC. Homebuyers who have not owned a primary residence in DC during the year preceding their purchase are eligible. They may have owned a principal residence previously outside of DC. The \$5,000 is subtracted directly from the amount of federal income taxes owed. To qualify you must earn less than \$70,000 if single or \$110,000 if joint, with some tax credit up to incomes of \$90,000 and \$130,000, respectively. The special IRS form to file for the credit is Form 8859, "DC Homebuyer." A person with income up to \$70,000, who is selling a home in Maryland to purchase a home in DC, would qualify for the \$5,000 DC federal homebuyer credit but not the \$8,000 federal tax credit.

The total value of the DC homebuyer low-cost loans, credits and tax benefits available to low- and moderate-income homebuyers can add up to more than \$30,000 in savings for the first five years of ownership. This greatly lowers the cost of purchasing and managing a new residence. Homebuyers should take the time to research these benefits with the help of their real estate professionals, mortgage lenders and nonprofit housing counselors, and be sure to get the maximum value for which they qualify.

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