

Act Fast for President Obama's \$8,000 Housewarming Gift *(This time they mean it)*

BY FRANK DEMARAIS

There are many reasons to look seriously at home buying in 2010 – prices are lower than in the last five years, interest rates are near all-time lows – but one big incentive is due to expire shortly and don't count on it being extended again. President Obama's \$8,000 rebate check for first-time homebuyers is available only for home purchase contracts signed before the end of April 2010 and purchases that happen before the end of June 2010.

This is a rebate check for homes purchased before June 2010 for first-time buyers (defined as anyone who has not owned a home in three years) with individual income less than \$125,000 or joint income less than \$225,000. The income cap was lower for purchases before Nov. 7, 2009.

A \$6,500 rebate check is available for purchases before June 2010 for some previous homeowners, defined as a "long-time" resident, which is an individual (and that individual's spouse if married) who has owned and used the same home as that individual's main home for any five-consecutive-year period during the eight-year period ending on the purchase date of the new main home and who meets other requirements.

The 2009-2010 \$8,000 first-time homebuyer federal tax credit and \$6,500 previous-owner tax credit can be claimed immediately after settling on the home, with an estimated 60 to 90 days to get the money. This is done by including the home purchase information with your 2009 taxes or amending the 2009 year tax return – so you don't have to wait until next March or April when you do your 2010 taxes.

If you are thinking of buying a home in the near future then you need

to act fast to get the rebate.

The process for home buying is such that unless you have identified the home and entered into a contract to purchase by the end of April 2010, you won't be eligible. And if your settlement is delayed past June 30, 2010, for any reason, you will not qualify for the \$8,000 or the \$6,500.

While that \$8,000 housewarming check is a wonderful incentive to purchase a home quickly, you should also focus on the long-term costs and benefits of homeownership.

To help with those longer term items, 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 loans for 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 / \$6,500 credit.

Down Payment Loans

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 homeowners as much as \$300 a month in mortgage costs during the first five years (totaling \$18,000 in savings). Eligibility and terms are based on income and the number of people in the household. For example, a one-person household with income below \$43,050 can get up to \$40,000; income below \$50,000 can get up to \$15,250. Higher incomes allowed for larger households. HPAP is administered by the Greater Washington Urban League; call 202-265-8200 for more information.

Buyers can purchase a home with a minimum borrower contribution of only \$500, or half of liquid assets that exceed \$3,000 (i.e., if you have \$5,000 liquid assets, you need to contribute \$1,000 not the \$500 minimum).

For qualifying full-time employees of the District government, the Employer Assisted Housing Program (EAHP) provides deferred loans of up to \$10,000 – no interest and additionally no payment until the property is sold or refinanced. This can be combined with HPAP for DC residents who work for the DC government. More information is available through Housing Counseling Services (202-667-7006).

Closing Cost Credits

On properties that are less than \$326,760, homebuyers may be exempt from the 1.1 percent recording tax and eligible for the seller to pay the 1.1 percent transfer tax toward the buyer's closing costs. On a \$200,000 property, the buyer avoids the \$2,200 recording tax, and the seller pays the \$2,200 transfer tax toward the buyer's closing costs, lowering costs by \$4,400.

Income maximums apply (\$53,760 / one person, \$69,120 / three person), with higher income guidelines for homes in parts of Southeast DC.

Real Estate Tax Abatement

Buyers eligible for the Recording Exemption are also eligible for abatement of annual real estate taxes for five years beginning the tax year following purchase. The buyer pays real estate taxes until the October following purchase, then owes no taxes for up to five years. A \$200,000 property would save \$142 a month for 60 months, or at least \$8,500.

DC Homebuyer Federal Income Tax Credit

For first-time buyers in the District who don't have to be first-time homeowners, Delegate Eleanor Holmes Norton is expected to extend the DC-only \$5,000 income tax credit. This credit has to be annually renewed by Congress, and is expected to be renewed for 2010. This would not expire in June 2010 if enacted.

The \$5,000 is subtracted directly from the amount of income taxes owed in the next tax filing – so not a direct refund check, but almost as good since buyers just have to wait for the next tax filing. To qualify you need to have not owned a home in DC for a year and earn less than \$70,000 single / \$110,000 joint, with some credit up to \$90,000 / \$130,000. The special IRS form is Form 8859 "DC Homebuyer." Someone selling a property in Maryland to purchase a home in DC, with income under \$70,000, would qualify for the DC 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 over the first five years, lowering the cost of getting into and managing the home. Homebuyers, take the time to research these benefits with the help of real estate professionals, and nonprofit housing counselors, and be sure to get the maximum value you qualify for.

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