

Utilizing home buyer credit to assist at closing

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The Florida Housing Finance Corporation has released details on the new Florida Housing Opportunity Program (FLHOP), while Housing and Urban Development (HUD) has announced the details for the Monetization of the First-Time Buyer Tax Credit.

"These two programs are going to help numerous buyers obtain homes in an expedited manner and help move the foreclosure inventory in South Florida," said Rick Burch, 2009 Chairman of the Board, REALTOR® Association of Greater Miami and the Beaches (RAMB).

On Feb. 17, President Obama signed the American Recovery and Reinvestment Act of 2009 expanded the First-Time Homebuyer Tax Credit to as much as \$8,000; extended the purchase deadline from before July 1 to before Dec. 1; and removed the repayment portion for qualified homebuyers who resided in the property for at least 36 months. In order to fully utilize the benefit, buyers need this assistance in advance. Therefore, the State of Florida and HUD have announced two programs to assist.

Eligible homebuyers for both programs in accordance with federal restrictions and Internal Revenue Service (IRS) Form 5405 are those who have had no ownership interest in a principal residence for the previous 3 years and earn no more than \$75,000 adjusted gross income for single taxpayers or \$150,000 for joint filers (adjusted reductions for earners up to \$95,000 [single] and \$170,000 [joint]).

On May 27, Governor Charlie Crist signed the state budget for fiscal year 2009-2010, which included a \$30.1 million appropriation to the Florida Housing Finance Corporation to develop the Florida Homebuyer Opportunity Program (FLHOP).

FLHOP is scheduled to begin July 1, and provides subordinate downpayment assistance loans to homebuyers in an amount equal to the anticipated federal tax credit. Loans are to be obtained through the local State Housing Initiatives Partnership (SHIP) offices. Once the buyer receives their tax credit from IRS, the loan is to be repaid. If repayment is received within 18 months of the closing date, all interest charges will be waived; otherwise, repayment terms will be established.

On May 29, HUD published the First-Time Homebuyer Tax Credit (FTHBTC) Mortgagee Letter 2009-15, which provides guidance on how Federal Housing Administration (FHA)-approved mortgagees, nonprofit organizations and government agencies may assist homebuyers who are eligible for the tax credit and applying for FHA mortgages. The two approved methods for advanced assistance for homebuyers are secondary financing and the advance purchase of the tax credit.

Secondary financing may be soft (silent) or require a monthly repayment. If payments are required, they must be included within the qualifying ratios or payments must be deferred for at least 36 months in order not to be included in the qualifying ratios. The advance cannot result in cash back to borrower or exceed the amount for downpayment, closing cost and

prepaid expenses.

If purchasing the tax credit is the preferred option, the proceeds of the sale cannot exceed the anticipated tax credit and a copy of IRS 5405 form must be attached to the FHA case binder. The borrower must sign a certification that the tax credit is not being used to pay off other debt. Any costs for covering expenses of the transaction shouldn't exceed 2.5% of the anticipated credit. Finally, these funds cannot be used to satisfy FHA's required minimum downpayment of 3.5%, but can be used as additional downpayment, buying down the interest rate.

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