



What Will A Housing Stimulus Package Do For You?

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On the final day of April, a few senior leaders of our Association traveled to Washington D.C. to participate in the National Association of Home Builder's 2008 Legislative Conference. It was considered one of the most successful ever with over 1,300 attendees participating in more than 300 Capitol Hill meetings. In addition, over 1,100 builders back home placed phone calls into Congressional offices re-enforcing NAHB's legislative message. The annual meetings are always very critical to the health of our industry. The message was very simple...the housing industry plays a critical role in the nation's economy.

The faltering economy is hurting hard-working families across our community. Soaring gas and food prices are pinching pocketbooks and the mortgage crisis is hitting consumers and the housing industry very hard.

As a result, Congress is currently considering a variety of measures to help bolster housing and the economy and avert a recession. But what do these proposals mean to you — the average citizen?

The House and Senate have each passed housing stimulus provisions designed to help struggling home owners, jump-start the housing market, save jobs and restore consumer confidence. But the packages are not the same. And the entire effort could be derailed if the two sides — and the White House — can't agree on a single, comprehensive package.

Here are some of the key elements that need to be included in a final housing stimulus package that the President can sign into law in order to truly benefit Americans and get our economy moving in a positive direction once again.

Temporary home buyer tax credit. The ability to deduct the mortgage interest you pay from your taxes is already a great financial incentive to own a home. With a tax credit, first-time home buyers will be able to reduce their taxable

income the first year after buying a home and get a bigger refund or a lower tax bill.

This will help get the ball rolling and sell homes that have been sitting on the market for months. Sellers will in turn buy new homes. Demand will increase, and home prices will stabilize. Stable prices will protect both existing home owners who may need to refinance their loans, and sellers who can't afford to take a loss.

Federal Housing Administration (FHA)

modernization. The FHA program helps get affordable mortgages for borrowers with less-than-ideal credit ratings or limited down payment cash. But the current program has outdated systems and procedures. If it's not modernized, declining activity and inefficient processes could result in taxpayers bearing some of the costs.

The limits for FHA-eligible loans need to increase to be more in line with current home prices; the amount of money required as a down payment by borrowers who prove they will be able to make the payments needs to be lower; and the FHA program needs more flexibility so it can operate more efficiently and be more responsive to changes in the marketplace.

Government-Sponsored Enterprises (GSE) reform.

Freddie Mac and Fannie Mae are GSEs that help lenders give more money to more home buyers. Changing the way they are regulated will allow more programs to be offered and free up funds for home purchases or to refinance troubled loans.

Mortgage revenue bond program. This program helps finance the purchase, rehabilitation or improvement of single-family residences for low- and moderate-income families and individuals. Expanding this program will help distressed borrowers who need to refinance their home loans, and will mean less homes will go into foreclosure. It will also provide more mortgages for first-time home buyers.

Net operating loss carryback. Businesses that lose money in 2008 and 2009 would be able to use those losses to offset taxes they paid for the previous four years, instead of the two years allowed in the current law. It will give businesses that are suffering additional financial resources to get through the economic downturn, which will help them avoid laying off employees or even shutting their doors.

More than half a million homeowners could benefit if these provisions are included in the final housing stimulus package that is adopted, which would in turn help all Americans.