STILL IN EFFECT

Deduction For Private Mortgage Insurance Good Through 2010

In 2008, Congress extended the deduction for payments of qualified home mortgage insurance to homes purchased through December 31, 2010. (The opening date for the deduction is January 1, 2007.)

The full deduction is available to taxpayers with Adjusted Gross Income (AGI) not greater than $100,000, or $50,000 for married filing separately. Above those AGIs, the deduction is phased out and disappears completely for AGIs of $110,000 and higher ($55,000 for married filing separately).

In order to take the deduction, you must itemize deductions on your tax return—see instructions on Schedule A (Form 1040) or consult IRS Pub. 936 for further details. Also, be sure to consult a professional tax advisor.

You Can Help Us Help Others

Please pass this Special Issue of our newsletter on to friends and relatives when you've finished reading it. It may contain some critical information for their unique housing concerns. Of course, we'll be happy to provide them with exactly the professional services they're looking for. As always, we thank you for all your referrals!

HIGH-COST AREAS

New Maximum Limit For FHA, Conforming Mortgages In 2009

The American Recovery and Reinvestment Act of 2009 reinstated 2008 loan limits for Federal Housing Administration (FHA) loans and "conforming" loans from Freddie Mac and Fannie Mae. Bear in mind, the limits vary by area.

The current limits are equal to the greater of 125% of the 2008 local-area median home price or $271,050 for FHA and $417,000 for Fannie and Freddie—except for designated high-priced areas. While the Housing and Economic Recovery Act of 2008 had placed the 2009 upper limit for high-priced areas at $625,500, the most recent legislation increased the 2009 cap for expensive areas to $729,750. These limits are set to expire December 31, 2009.

To find out about the local loan limits where you are interested in buying or refinancing, just give us a call.

SUSTAINABLE FORESTRY INITIATIVE CERTIFIED PAPER www.SFIProgram.org · PRINTED WITH SOY INK · REDUCE REUSE RECYCLE

MAKING MATTERS BETTER

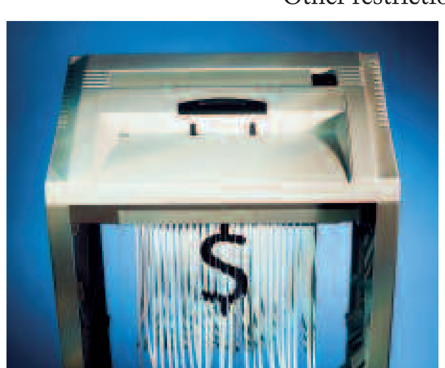
Forgiven Mortgage Debt No Longer Taxable

The Mortgage Forgiveness Debt Relief Act of 2007 changed tax rules so that when mortgage debt is forgiven by a lender—as in a short sale, foreclosure or debt restructuring of a property—the amount forgiven is not considered part of the taxpayer's gross income and therefore not subject to income tax, as had been the case previously.

The debt must have been incurred to buy or improve a principal residence (rather than a second home), and the exclusion only applies to indebtedness forgiven from January 1, 2007 through December 31, 2012.

The excludable amount of debt is limited to $2 million or $1 million for married filing separately.

Other restrictions apply, so be sure to consult a knowledgeable tax professional for all the details. You can also go online to *www.IRS.gov* and enter the words "Mortgage Forgiveness Debt Relief Act" in the search window.



A newly revised Form 982 is used for reporting the exclusion.

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SPECIAL STIMULUS ISSUE

HOUSING STIMULUS

What Buyers, Sellers And Homeowners Need To Know Now

If you've been tracking the housing news like we have over the past couple of years, you've no doubt heard about the many new government programs and initiatives designed to help stabilize the nation's housing market.

From the Mortgage Forgiveness Debt Relief Act of 2007 to the Housing and Economic Recovery Act of 2008 to this year's American Recovery and Reinvestment Act, **the government has devised policies to ease the financial situation of those affected by foreclosure, to help people stay in the homes they own and to encourage home purchases by qualified buyers.** Most recently, President Obama's Homeowner Affordability and Stability Plan, announced in February, offers yet more opportunities for homeowners who have had difficulty refinancing their homes or are at risk of losing their homes to foreclosure.

Could any of these new programs help you? We've dedicated this special issue of your newsletter to help you find out if—and how—you can take advantage of the new opportunities to buy a home, save money as a homeowner or ensure that your mortgage payments are affordable.

Latest Updates: The information provided here may change by publication time, so be sure to call us for updates or for answers to any questions you may have. We'll be happy to talk with you! Of course, we always recommend consulting a qualified tax professional or financial advisor about your particular financial situation.

KEEPING YOUR HOME

Help For Mortgage Refinancing, Modifications

In effect starting March 4, 2009, the Homeowner Affordability and Stability Plan involves two programs aimed at helping 7 to 9 million homeowners who are making a good-faith effort to stay current on their mortgage payments.

1. Increasing Affordability

This program is designed to help 4 to 5 million working homeowners who have "conforming" mortgages (guaranteed or owned by Fannie Mae and Freddie Mac), who have been on time with their payments, but who have been unable to refinance to a lower interest rate because their homes have decreased in value such that their equity is less than 20%. **The objective of this plan is to help these borrowers refinance into safer, more-affordable fixed-rate loans.**

Features and qualifications:

• Allows eligible homeowners to refinance their homes to a 15-year or 30-year fixed-rate loan according to Treasury Department guidelines.

• Available for qualified principal residences, second homes, small rental properties.

• First-lien loans must have an unpaid principal balance of $729,750 or less (for single-family homes). There is no minimum or maximum loan-to-value ratio for eligibility purposes.

• Eligible homeowners must have sufficient income to make the new payment.

Your lender (or loan servicer) can tell you whether your current mortgage is owned or guaranteed by Fannie Mae or Freddie Mac and whether you can qualify for this refinancing opportunity.

2. Homeowner Stability Initiative

This program aims to help 3 to 4 million "at risk" homeowners who have high mortgage debt compared to income and/or who are "underwater" (with a combined mortgage balance higher than the current market value of the home). **The primary objective of the plan is to help borrowers avoid foreclosure by modifying unaffordable loans** to achieve a payment the borrower can afford. Delinquency is not required for eligibility. The government has set aside $75 billion in funding to support the program.

Features and qualifications:

• Homeowners can seek a loan modification from their participating lender (or loan servicer).

• Your monthly mortgage payment must be greater than 31% of your monthly gross income.

• If you have more than one mortgage on the home, only the first mortgage is eligible for modification.

• Homeowners with total "back end" debt (which includes not only housing debt, but other debt such as car and education loans and credit-card debt) equal to 55% or more of their income will be required to agree to enter a HUD-approved counseling program (at no cost to the homeowner) as a condition for the loan modification.

• The participating lender voluntarily lowers the interest rate so the monthly mortgage payment is no more than 38% of the homeowner's pre-tax income. (Loan servicers owned by financial institutions that receive money from the second distribution of bailout funds will be required to make loan modifications according to Treasury Department guidelines. Loan modifications are considered on a case-by-case basis.)

• The government will then match with the lender any further reductions in interest payments, dollar-for-dollar, to bring the homeowner's payment down to 31% of pretax income. (Lenders could also bring down monthly payments by reducing the principal owed on the mortgage, with the government sharing in the costs.)

• The lender must keep the new lower interest rate in place for five years, after which it could gradually be stepped up to the conforming loan rate that was in place at the time of the modification.

• The government will provide a number of incentive fees to lenders and loan servicers along with a partial guarantee initiative (insurance fund) designed to discourage lenders from opting to foreclose on mortgages that could be viable now out of fear that home prices will fall further.

• To provide extra incentive for borrowers to keep paying on time, the initiative provides a monthly balance reduction payment that goes straight toward reducing the principal balance of the loan. As long as a borrower stays current on the loan, he or she can receive up to $1,000 each year for five years.

If you think you might benefit from either of these two programs, contact your lender (or loan servicer) or a HUD-approved housing counseling agency for more information.

New Market, New Programs Have Impact

The local housing market is picking up. Here are some area trends we are watching that will create even more activity throughout 2009:

✔ First-time buyers are coming back (with low-down-payment financing and payments less than rent).
✔ $8,000 first-time buyer tax credit with no payback required.
✔ Home sellers are making up for lower sales prices when they buy.
✔ Parents and grandparents are helping kids buy their first homes.
✔ Investors are picking up properties that create positive cash flow.
✔ Refinancings are putting more money into homeowners' pockets.

HUD-Approved Housing Counseling

The U.S. Department of Housing and Urban Development (HUD) advises, "Borrowers should beware of any organization that attempts to charge a fee for housing counseling or modification of a delinquent loan, especially if they require a fee in advance." To find a HUD-approved housing counseling agency, go online to *www.TinyURL.com/dkbarb* or call toll-free (800) 569-4287.

FREE MONEY

Improved First-Time Buyer Tax Credit

The American Recovery and Reinvestment Act of 2009 improved on an earlier tax credit available to first-time home buyers. **The new tax credit is worth up to $8,000** (or up to $4,000 for married filing separately) for qualified buyers who purchase a principal residence after December 31, 2008 but before December 1, 2009. Qualified buyers are those who have not owned a principal residence during the previous three years.

Good news: Unlike the previous $7,500 tax credit, **this new $8,000 incentive is a true rebate and does not have to be repaid** providing the home continues to be your principal residence for at least 36 months.

Qualified first-time buyers who purchased homes from April 9, 2008 through December 31, 2008 can still take up to a $7,500 ($3,750 for married filing separately) tax credit, but must repay the credit over 15 years beginning two years after the purchase settlement/closing date. If the home ceases to be your principal residence before the credit is repaid, the unpaid balance becomes due in full. (If the home is sold, the balance is due to the extent gain on the sale is sufficient.)

Both the $8,000 and $7,500 credits are "refundable"— that is, if your tax bill for the year is lower than the credit amount you qualify for, you would receive the difference as a tax refund.

The amount of the credit is limited to 10% of the purchase price of the home, up to the applicable dollar-amount limits. Those who qualify can claim the credit on their federal income tax return.

The full credit is available to married joint-filers (or equivalent filing status) with Modified Adjusted Gross Income (MAGI) up to $150,000, and to single filers and married filing separately with MAGI up to $75,000. The credit is phased out and disappears completely for MAGIs above $170,000 (joint filers and equivalent) or $95,000 (others).

Please call us for more information and to find out if you qualify for this great limited-time tax credit.

Count On Our Timely Service

There's nothing worse than learning critical information after you really needed it. We're here to help keep you up-to-date on everything related to buying, selling or staying in a home. Simply call us at the number(s) on page one whenever you have questions about homeownership. It's our privilege to serve you with all the local housing information and services you need.

SEEING GREEN

Extended Tax Credits For Energy-Efficient Home Upgrades

Again thanks to the American Recovery and Reinvestment Act of 2009, you can earn tax credits during 2009 and 2010 for installing qualified energy-efficient home improvements on your principal residence including windows and doors, roofs, insulation, HVAC systems, water heaters, solar energy systems and wind turbines. (Credits for such installations had expired at the end of 2008.)

In most cases, 30% of your total investment can be recouped, but the total tax credit claim for the improvements cannot exceed $1,500 (the old cap was $500). Systems and appliances must meet or exceed listed energy use specifications and, in some cases, installation, site preparation and assembly costs may not qualify.

For an overview of credits available for selected home improvements, go online to *www.EnergyStar.gov*. Be sure to consult with a tax professional before purchasing to ensure your upgrades qualify.

Appliances

The Energy Efficient Appliance Rebate Program provides $300 million to state governments to distribute to consumers who purchase Energy Star-rated home appliances such as refrigerators, dishwashers, clothes washers, etc. Energy Star-rated appliances (look for the label) use 10% to 50% less energy than standard models. Not only can you get a monetary rebate on your purchase, these appliances help you reduce your utility bills. Again, see *www.EnergyStar.gov* for more information.

Weatherization Assistance

Low-income homeowners are encouraged to make energy-saving improvements to their homes by the U.S. Department of Energy's Weatherization Assistance Program (WAP).

If you qualify through one of the local weatherization agencies that carry out the program in your area, an energy audit will be conducted on your home. The audit will measure your home's energy usage and recommend the best energy-saving methods to employ, with weatherization services provided at an average value of $2,500 per home. Improvements could include such things as increased insulation, weather-stripping, new windows and doors, etc.

Over one million homeowners are expected to benefit nationwide, with an average family's estimated savings amounts projected to be about $350 per year in heating and cooling costs.

The WAP already has formulas in place for distributing the stimulus bill's funds (about $5 billion) to all 50 states. Services are provided by each state, and each state has slightly different criteria to qualify. One of the primary eligibility factors is income. To see if your family (or someone you know) might qualify and to find out how to apply, visit *www.TinyURL.com/aurbux*.