

Four Ways the 2009 Economic Stimulus Plan Benefits Home Owners and Buyers



There are four primary sections of the 2009 economic stimulus plan that could be very beneficial if you own or are buying a home.

Benefit #1 — Expansion of Home Improvement Tax Credit

The tax credit for making energy efficient home improvements is now 30% of the cost of the improvements up to a maximum of \$1,500. This means that if the improvements cost you \$5,000, you would receive a tax refund of \$1,500 when you file your tax returns. Eligible improvements include energy efficient exterior doors and windows, insulation, heat pumps, furnaces, central air conditioners and water heaters. Generally, your home improvement contractor and/or the manufacturer selling the improvements issues a certification that clarifies whether the improvements meet the necessary standards for energy efficiency. Most modern windows, furnaces, and air conditioners meet these requirements. If you've been holding off on making some of these improvements, now is a great time to get a move on it - especially with all the great deals that are being offered!



Benefit #2 — Expansion of First-time Home Buyer Tax Credit

The tax credit available to first time home buyers was increased from \$7,500 to \$8,000 for homes purchased between January 1, 2009, and December 1, 2009. Also, the credit no longer needs to be paid back as long as you live in the home without selling it for at least 3 years. The previous version of the credit expired on July 1, 2009, and required home buyers to pay the funds back over a 15 year time frame.

The income limitations remain the same (\$75,000 for single tax payers claiming the full credit and \$150,000 for married tax payers), as do most other qualification requirements. Also, the credit remains refundable. This means that first-time home buyers who owe less than \$8,000 in taxes for the year are still eligible for the full \$8,000 credit when they file their tax returns. In that case, the IRS will write you a check for the difference between \$8,000 and your actual tax bill. In fact, the credit can be claimed on your 2008 tax returns that you file by April 15, 2009, even if you buy the home in 2009.

There is one catch, however: if you bought the home in 2008, the credit remains \$7,500, and it still needs to be paid back over a 15 year timeframe beginning in 2011 when you file your 2010 returns.

Benefit #3 — Higher Reverse Mortgage Loan Limits

The loan limits for FHA-insured reverse mortgages have been increased to \$625,500 across the entire country - not just the higher cost areas. The previous limit was \$417,000 across the country. This is especially important because the FHA program is virtually the only game in town as private and jumbo reverse mortgage programs have nearly all evaporated.

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This coincides with another little-known change in the reverse mortgage arena: the availability of reverse mortgages on home purchase transactions. This is a fantastic opportunity for senior citizens to buy a new home and live mortgage payment-free without having to wait for their old home to sell. Seniors could also use this strategy to buy a new home and turn the old home into a rental or otherwise wait for market conditions to improve before trying to sell the old home.

Benefit #4 — \$729,750 FHA and Conforming Loan Limits Restored in High Cost Areas

The \$729,750 maximum loan limit had been in force throughout 2008, but was reduced to \$625,500 in 2009. The economic stimulus plan restores the \$729,750 maximum. This makes higher cost homes more affordable — especially in the coastal housing markets that tend to have higher than average home values.

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Jim Barnett, CMPS®
W.J. Bradley Company
2730 West Agua Fria Fwy. Suite 101
Phoenix, AZ 85027

623-594-7600 direct
602-616-5469 alternate
623-594-7601 fax
jim.barnett@wjbradley.com
<http://www.jimbarnettconsulting.com>

