

# Fix Housing First Act

- Through lower mortgage rates, provides the equivalent of more than a \$400 per month tax cut for 30 years to more than 40 million creditworthy American homeowners.
- Provides an additional \$15,000 tax credit for the purchase of a new home.
- Includes targeted income and business tax cuts to help create new jobs.

## How it Works

### 4.0 to 4.5% Fixed-Rate 30-Year Mortgages

- New and refinanced mortgages would be available for 4.0 to 4.5% -- providing a monthly savings of more than \$400 for the average homeowner's mortgage payment.
- Banks would issue these lower fixed-rate mortgages on primary residences – both for new home purchases and for refinanced mortgages for responsible homeowners.
- To encourage banks to issue these mortgages, the government will direct Fannie Mae and Freddie Mac to purchase these newly originated loans. Homeowners already holding loans from Fannie and Freddie would also qualify.
- The new, lower rate would be roughly between 4.0 to 4.5% today. The rate would be calculated based upon the historic spread between the 10-year Treasury bill and the 30-year fixed mortgage rate.
- The program would not be for “jumbo” loans.
- These mortgages would be available only until the end of 2010 – the time period of a targeted stimulus.
- The cost of the program is capped at \$300 billion, though economists believe it would actually be much less.

### \$15,000 Homebuyer Tax Credit

- The proposal expands the current first-time homebuyer tax credit to make it more attractive and effective.
- Specifically, the size of the tax credit is doubled from \$7,500 to \$15,000 (or 10% of the purchase price, whichever is less) and the program is expanded to cover all primary residences and all homebuyers, not just first time homebuyers and vacant or foreclosed properties.
- Available for purchases made between January 1 and December 31, 2009.
- The cost in lost revenue to the government is about \$20 billion.

### Loan Modifications

- Privately securitized mortgages are at the core of the housing crisis. They account for more than 50% of all foreclosure starts, despite accounting for only 15% percent of all outstanding mortgages.
- This provision could substantially limit foreclosures at an estimated cost between \$9B and \$12B by:
  - Temporarily (for 3 years) compensating servicers who modify privately held mortgages to allow homeowners facing foreclosure to pay lower monthly payments.
  - Temporarily (for 3 years) eliminating legal barriers to loan modification and creating a “safe harbor” from lawsuits for servicers who act in good faith to do loan workouts.

## **A Real Stimulus: More Bang for the Buck**

- At a cost to taxpayers of only \$300 billion, the 4% mortgage plan could provide up to \$6.1 trillion in savings to homeowners over the course of the 30-year loans – up to \$150,000 for the average homeowner.
- That's over \$5,000 each year they can spend on other priorities for their families – spending that will spur job creation.

## **Restoring Homeowner and Financial Security**

- The economic downturn began with a collapse of the housing market; no stimulus plan will work if we fail to address housing. If we don't fix that problem, we'll only be treating the symptoms.
- More than 860,000 properties were repossessed by lenders in 2008, more than double the 2007 level.
- The Fix Housing First Act will bring security to homeowners, thereby stabilizing the housing market and financial markets:
  - *Increases home sales* by lowering costs for new homebuyers, reducing the extensive backlogs of housing inventories
  - *Decreases foreclosures* by allowing eligible homeowners to refinance into more affordable mortgages and by incentivizing mortgage servicers to do loan workouts
  - *Helps stabilize housing prices* by increasing the number of homes sold and decreasing neighborhood foreclosure effects
  - *Helps facilitate loan modifications* for struggling homeowners
  - *Eliminates the uncertainty* for the value of securitized mortgages held by financial institutions, lowering their need to hoard capital and increasing their ability to lend
  - *Stabilizes credit markets* by providing new cash flow to financial institutions

## **Targeted Tax Cuts to Create More Jobs**

- To spur job creation and help struggling families, the legislation also includes targeted tax cuts:
  - *Help for Families: Income tax cuts for low and middle-income families*: a two-year reduction of marginal income tax rates on the lowest brackets, from 15 to 10% and from 10% to 5%.
  - *Create Jobs, Stimulate Spending: Extension of Bonus Depreciation for 2009*: reduces costs of buying new equipment to encourage business growth, including for small businesses.
  - *Effectively Utilize Losses: 5-year Carryback of Net Operating Losses*: helps businesses that have seen profits turn to losses during this recession.
  - *Help Our Heroes: Incentives to Hire Veterans*: provides a tax credit to businesses that hire veterans.
  - *Inject Liquidity into Our Economy: Delayed Recognition of Certain Cancellation of Debt Income*: provides targeted tax relief to companies when settling debts with their creditors, which helps save jobs.
  - *Encourage Investment: Small Business Capital Gains*: based on President Obama's proposal, eliminates capital gains taxes for start-ups and certain small businesses.
  - *Infrastructure Investment: Broadband Internet Access Tax Credit*: encourages companies to provide high-speed internet access to areas without such service today.