

# First Time Homebuyer Tax Credit 2<sup>nd</sup> Loan

The National Association of REALTORS® (NAR) advocated for the Federal First-Time Homebuyer Tax Loan to become a Credit by removing the repayment feature and creating a true tax credit for homebuyers. Through their efforts, the American Recovery and Reinvestment Act of 2009 provides a federal income tax credit for first-time homebuyers of 10% of the sales price, up to a maximum of \$8,000. This tax credit is available to qualified home buyers who purchase a home by December 1, 2009 (**now extended to April 30<sup>th</sup> 2010!!**). The credit does not require repayment. The credit will be claimed on a tax return to reduce the purchaser's income tax liability. If any credit amount remains unused, then the unused amount will be refunded as a check to the purchaser.

In order to help buyers use the tax credit for down payment and closing costs when they purchase a home, Idaho Housing and Finance Association (IHFA) is offering a special short-term *Tax Credit 2<sup>nd</sup> Loan* to qualified buyers. The second loan will be offered to qualified first time homebuyers in the amount not to exceed 5% of the sales price or \$7,000. A fee will be charged of \$250 with \$150 refunded upon repayment of the loan on or before the loan due date. The loan will accrue interest at 3.0% with a due date of July 1, 2010. The *Tax Credit 2<sup>nd</sup> Loan* is expected to be paid off from the borrower's tax refund obtained through the application of the federal tax credit. If the homebuyer doesn't repay at that time IHFA can modify the loan to amortize over the remaining term of the first mortgage loan at an interest rate of 3% higher than the first mortgage rate.

Borrower qualifications are:

- 1) Must be a first time homebuyer,
- 2) Must have a FICO score of no less than 640, and a total debt ratio of no more than 45%,
- 3) Homebuyer qualifies for an IdaMortgage (IHFA) loan.

The REALTOR® Associations in Idaho wanted to make this loan program and tax credit more accessible and created the *Welcome Home Program*. **If the borrower pays off the loan by the due date, the REALTOR® Community Foundation will pay the interest and fees making the loan rate 0% (availability on a first come first served basis until the contributed funds are used).** There has simply never been a better time to buy!

REALTORS® are connected to the community and making the dream of homeownership a reality throughout Idaho.

