

\$8,000 TAX CREDIT EXTENDED

The Senate voted to renew the government's \$8,000 tax credit for first time home buyers through the first six months of 2010 as part of a broader bill designed to extend unemployment benefits.

For the first time, the tax credit program would also enable many homeowners who buy a new primary residence to receive a \$6,500 refund.

The measure was attached to a bill that would provide 20 weeks of unemployment benefits in more than two dozen states with jobless rates above 8.5 percent and up to 14 weeks elsewhere. Another provision in the bill would allow businesses that had operating losses in 2008 and 2009 to seek refunds for taxes paid on profits over the past five years.

The bill, which passed 98 to 0, should reach the House floor. House Majority Leader Steny H. Hoyer (D-Md.) said in a statement. His office said the legislation would then go to the White House for the president's signature.

The Obama administration has previously supported extending the \$8,000 tax credit, and without congressional action the program would end Nov. 30.

Under the bill, first-time home buyers would receive the \$8,000 tax credit if they sign a contract by April 30 and close on it by June 30. The plan would also make those who buy a new primary residence eligible for the \$6,500 credit if they owned their current home for at least five consecutive years in the previous eight years.

But the measure limits the purchase price of the home to \$800,000. It also imposes income caps so that people who make more than \$125,000 annually and couples who make more than \$225,000 would not be eligible for the program, which is estimated to cost \$10 billion.

In quick review of the \$8,000 tax credit. When speaking to potential buyers who inquire about the \$8,000 there are several factors to remember.

First, there are income restrictions. Second, the tax credit is 10% of the purchase price UP TO \$8,000 and the borrower must NOT have owned a home in the previous 3 years. The other option is \$6,500 credit for someone who has owned a property for the last 5 years and is looking to sell this home and purchase another home. They have to currently be a home owner.

The recent extension requires that buyers be under contract by no later than April 30, 2010 and close by no later than June 30th. This should give some urgency to your buyers.

If someone has owned a home and sold it less than 3 years ago and are renting they will not qualify under either option as they have also not been homeowners for the last 5 years.

Feel free to contact me with any mortgage questions and I will be more than happy to look at any loans you may have that have recently been denied. As a direct lender I may have other options.