

## News

### Housing bill could help mortgage-strapped homeowners stay in Maricopa

By Michael K. Rich

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With one in 18 homes going into foreclosure every year in the state of Arizona, the American dream has turned into the American nightmare.

But a new piece of housing legislation poised to become law this week could provide a fix to the current woes of the housing market.

The potential fix is known as the Housing and Economic Recovery Act of 2008 and was passed the U.S. Senate on Saturday by a vote of 72-13.

Arizona Senator John McCain was not present for the vote and Jon Kyl voted against the measure.



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"Congress did more than send a bill to the President – we sent a message to American families that help is on the way," said Sen. Chris Dodd, D- Connecticut, who was one of the primary authors of the bill.

Sen. Shelby, R-Alabama, another of the bills supporters, added, "Today's overwhelming vote underscores the merit of this legislation."

This legislation would provide \$300 billion in loans to bail out families in risk of foreclosure, a tax credit for first time home buyers, provide \$3.9 billion to state governments to buy and restore abandoned properties, allow the Treasury Department to buy stock in Fannie Mae and Freddie Mac and bar the FHA from issuing mortgages when the borrowers down payment is covered by the seller.

"This bill will address our broader economic problems by helping to reform our housing sector and provide reassurances to our financial markets. The strong, bipartisan bill we produced is proof that partisan gridlock is not a foregone conclusion when we work together in good faith and in common cause to solve our nation's most pressing problems," Dodd said.

Kathleen Day who is a spokes person for the Center For Responsible Lending added, " This bill is the first step in recovery from this financial tsunami."

Overall, the legislation is one of the most comprehensive passed in several years, but what will the impact be on current and future residents of the city of Maricopa?

#### Current Home Owners

The piece of this legislation that will draw the interest of many Maricopa homeowners is the \$300 billion loan buyback portion.

This piece of the legislation is aimed at helping 400,000 families across the United States who are unable to afford their mortgage payment.

"Six out of 10 people trapped in these sub-prime loans were eligible for conventional loans, but the lenders did not present the borrower with all of the information to make an informed decision," Day said.

In order to be considered unable to afford the mortgage payment the family must have a debt-to-income ratio of greater than 31 percent.

An unaffordable mortgage is defined by the legislation as on which consumes more than 30 percent of family's monthly earnings.

However, this help is not mandatory.

Lenders would have to agree to sell the loan at 85 percent of the market value.

"Lenders are going to look for a way to minimize their loss, and if this is a possible avenue they may pursue it," said Tom Heath, vice president of advocacy for the Southwest Lenders Association.

Heath added that lenders have been working with buyers before the passage of this bill to refinance loans.

Day added that when homes go into foreclosure the lender loses because they don't get their money, the homebuyer loses because they are out of a place to live and the community loses because foreclosures drive down home values.

"This is a way better solution for everyone," Day said.

Besides lenders having to voluntarily enter the program, if a homeowner is approved for one of these loans they will have to share a percentage of the appreciation of the home.

Under the program if a person sells their home during the first year in the program the 100 percent of any profits go to the FHA, in the second year this number drops to 80 percent, then to 60 percent the third year and 50 percent every year thereafter.

"This program is aimed at people who want to stay in their homes, not people who want to flip them for

a profit," Day said.

All loans of these newly created loans would be at a 30-year fixed rate.

Once signed into law, this portion of the bill would go into effect Oct. 1.

Besides helping to get families into affordable loans, the bill provides \$180 million in additional funding for housing counseling and legal services for distressed borrowers.

#### **Future Home Owners**

As much as the bill is aimed at foreclosures, there are several sections that deal with future home purchases.

One of these sections is the creation of a tax credit for the first-time homebuyer.

Another section of the bill that could have an impact on the city of Maricopa is the \$7,500 tax credit for first time homebuyers.

The way the down payment credit would work is that a person would make the initial down payment on the home at the time of purchase, then at the end of the year they could file to receive up to \$7,500 back from the federal government.

However, the credit would be more like an interest free loan and need to be paid back over the next 15 years to the federal government.

"This is aimed at some one who has the money for the down payment, but doesn't want to drain their savings account," Heath said.

Besides the creation of this program to lessen the affect a down payment can have on person's saving account, the bill will eliminate buyer assistance with down payment on FHA loans.

"There is a correlation between the amount of money people put down out of their own pocket and foreclosures," Day said.

Currently, the seller of a property is able to contribute up to 6 percent toward buyers down payment.

These payments are made buy the seller to companies such as Nehemiah and Ameridream.

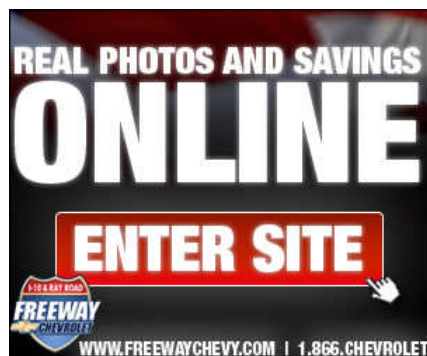
In Arizona 42,742 families have received help through privately funded down payment-assistance programs.

In addition to getting rid of seller-assisted down payments, the program raises the required down payment from 3 to 3.5 percent.

"It is a sad day for America when our elected officials pledge their allegiance not to the hardworking families who drive this country, but to bailing out special interests and Wall Street firms who in fact created this housing crisis," said Scott Syphax, president and CEO of The Nehemiah Corporation of America.

Syphax said this is evidenced by the actions of Congress on Saturday and the Housing Bill being passed to the President, it is clear the thousands upon thousands of pleas made by families and non-profit groups have fallen on the deaf ears of Senators Shelby and Dodd, and those of our Administration.

"HUD has spent more than ten years fighting to shut us down rather than work with us to determine how to improve a down payment assistance program that has help more than 1,000,000 American families. Our leaders are ignoring a basic fact: seller-funded down payment assistance is the only remaining safety net available to millions of families today seeking home ownership. Killing these programs will not only negatively impact generations of low-to-moderate income Americans who would have been able to use homeownership as a tool to create wealth, stature and self-esteem, but to our economy as a whole," Syphax said.



*File photo*

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