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Economic Stimulus Plan Benefits the Housing and Mortgage Industries

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Just signed and sealed...a \$787 Billion Stimulus Plan made up of tax cuts and spending programs aims at reviving the US economy. Although the package was scaled down from nearly \$1 Trillion, it still stands as the largest anti-recession effort since World War II.

Home owners and potential homebuyers stand to gain from key provisions in this stimulus plan. Here is what we know as of today...

Tax Credit for Homebuyers

First-time homebuyers who purchase homes from the start of the year until the end of November 2009 may be eligible for the lower of an \$8,000 or 10% of the value of the home tax credit. Remember a tax credit is very different than a tax deduction – a tax credit is equivalent to money in your hand, as opposed to a tax deduction which only reduces your taxable income.

The tax credit starts phasing out for couples with incomes above \$150,000 and single filers with incomes above \$75,000. Buyers will have to repay the credit if they sell their homes within three years.

Additional Housing-Related Provisions

Tax Incentives to Spur Energy Savings and Green Jobs — This provision is designed to help promote energy-efficient investments in homes by extending and expanding tax credits through 2010 for purchases such as new furnaces, energy-efficient windows and doors, or insulation.

Landmark Energy Savings — This provision provides \$5 Billion for energy efficient improvements for more than one million modest-income homes through weatherization. According to some estimates, this can help modest-income families save an average of \$350 a year on heating and air conditioning bills.

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Repairing Public Housing and Making Key Energy Efficiency Retrofits To HUD-Assisted Housing—This provision provides a total of \$6.3 Billion for increasing energy efficiency in federally supported housing programs. Specifically, it establishes a new program to upgrade HUD-sponsored low-income housing (for elderly, disabled, and Section 8) to increase energy efficiency, including new insulation, windows, and frames.

Expanding Housing Assistance—This provision increases support for several critical housing programs. It includes \$2 Billion for the Neighborhood Stabilization Program to help communities purchase and rehabilitate foreclosed, vacant properties.

More Help for Homeowners in the Future

Another thing to keep an eye on in the coming weeks is President Obama's plan to help struggling borrowers before they are faced with a default on their mortgage.

According to reports, the Obama administration is discussing plans to help borrowers who are struggling to stay afloat, but who have not yet fallen behind on their payments. At this point, details are scarce; however, reports indicate that President Obama is looking to spend approximately \$50 Billion to directly help homeowners before they face foreclosure and financial disaster.

While this is good news for individual homeowners, it will likely be good for the housing industry as a whole. That's because, assisting struggling borrowers before they default should help stop the wave of foreclosures, which are estimated to top two million this year. That, in turn, will help stabilize home prices.

The Economic Stimulus Plan is huge, and impacts a number of industries. I've highlighted some of the major provisions that may impact you now and in the future.

Feel free to call or email me anytime if I can answer your questions. I look forward to keeping you informed during these volatile times.

Warm Regards,

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