



Housing and Economic Recovery Act of 2008 Key Highlights

The President signed the "Housing and Economic Recovery Act of 2008" on July 30, 2008. In many cases, the details of implementation are yet to be communicated. I will update you as more information becomes available.

- **Moratorium on Risk-Based Pricing** for mortgage insurance premiums *based on credit score*
This change mandates that the Risk-Based pricing on FHA loans must be stopped by October 1, 2008 at the latest. This change does not prevent HUD from implementing risk-based pricing on criteria other than credit score and allows upfront premiums as high as 3%.
- **Elimination of Seller-Funded Down Payment Assistance (DPA) Programs**
This change includes AmeriDream and Nehemiah and is effective with loans approved after September 30, 2008. There also remains a chance that seller-funded DPA programs will be reinstated in the future. I can assist you in serving buyers with down payment funds offered through Housing Finance Agencies, approved Nonprofit Community Seconds, family members, employers, and any government entity. Currently there are many options available to help you sell your listing faster. Call me to discuss those options.
- **Simplification of Condominium Project Approvals**
FHA now has the authority to dramatically streamline condominium project approval requirements. The timing and details of implementation are yet to be confirmed.
- **Increase of the required borrower cash investment** on FHA loans to 3.5%
The timing and implementation details are still undecided - HUD will issue a mortgagee letter with additional detail.
- **Implementation of new permanent Mortgage Loan Limits**
The new limits will be effective Jan. 1, 2009 when the temporary limits of the Stimulus Bill Expire. The limits will maintain the current floor limit of \$271,050. The ceiling loan limit will be reduced to \$625,500. The factor for high cost areas is lowered to 115% from 125%.
- **Implementation of a \$7,500 tax credit for first-time homebuyers**
This tax credit is actually an interest-free loan from the government that is paid back with a recapture provision that requires payments to be made over a 15 year period. This tax credit will be available on purchases made between April 9, 2008 and July 1, 2009.

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Contact me for additional information on any of these changes.

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