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Introducing the First-Time Homebuyer Credit...

Ok, but that's about it.

Alex Cardenas - Government Affairs Chief Editor

As mortgage professionals you may have gotten a call from your Realtors asking for details about the \$15,000 homebuyer credit that they just heard on CNN or the local grocery store.

Bill number H.R. 2863 was introduced in House on April 28th. That same day it was referred to the Ways and Means committee where it still sits as of today. As I reached out to the committee to see when it would move forward I was told that with current schedules being unclear they were not sure of the timing specifics. I will continue to follow up for you all but here is some of what the bill carries so far:

1. Qualification: 160% of the Area Median Income as set by HUD
2. Property Eligibility is subject to an Area Median Purchase Price. (They have a calculation that is just short on being based on the chaos theory, if I had to describe it) Ultimately it says that HUD will set the regulations and guidance on this piece.
3. Credit Amount (Now We're talking, but only talking)
 - a. The credit will be 10% of the purchase price not to exceed \$15,000

Let's talk about the credit. The credit is not something tangible that the client will have the day of closing. There is no check at the closing table that is going to come to assist the buyer with closing cost or down payment. How it works is that when your buyer goes to file taxes they will receive a credit for \$15,000 (or less based on their qualified amount) that will go against their tax liability. Now, there is some debate in the language. Some say that any excess of the credit would be refunded to the taxpayer. For example if the tax payer (client) had a \$10,000 income tax bill and qualified for the full \$15,000 credit they would in fact receive \$5,000 after covering their tax liability. I caution against that for two reasons. One this bill references the bill that was done in 2008 when it was done last time which did not refund the excess amount... also the language on the bill is exactly these words "...there shall be allowed as a credit against the tax imposed..." that to me means that it would be against... tax imposed. Reading it further does not mention a refundable credit.

Lastly, there is another part that is important for your buyer to know called the Recapture of Credit... which we will cover once we know for sure this bill is moving. As of right now it is far from being passed.

Please feel free to reach out if you have any questions or something you feel that we should be speaking on.

Warm Regards,

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