// THE S & J READER
Swanson & Johnston Lending Team

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## MYTHS ABOUT THE FIRST-TIME HOMEBUYER TAX CREDIT

MYTH #1. You must never have owned a home to be a first-time homebuyer: To be qualified as a first-time homebuyer you simply cannot have owned a home in the past 3 years.

MYTH #2. To qualify for the tax credit, you must buy a house: A home is a primary residence, it can be a detached home, a duplex, A townhouse, a condominium, a pre-manufactured home (mobile home) or a houseboat. The only restriction is that you cannot purchase the home from your parents, children, grandchildren or spouse.

MYTH #3. I have to buy a preexisting home: You can apply the tax credit for an existing home or a newly-constructed home.

MYTH #4. The tax credit reduces my adjusted gross income: This is a credit, not a deduction. The credit is added to your tax refund or lowers the amount you need to pay the IRS for your income tax.

# TAX CREDIT FOR HOMEBUYERS IS EXPANDED AND EXTENDED *By Evan Swanson, CMPS*

If you haven't heard, the United States Congress and President Obama have passed legislation that expands the first-time homebuyer tax credit and extends it into the first half of 2010. Before we go any further, we want to make it clear that we are not tax professionals and recommend that you contact a tax professional to see how this law may apply to you.

Initially, the first-time homebuyer tax credit came into law as a part of President Bush's Housing and Economic Recovery Act of 2008. In the original form, first-time homebuyers were eligible to receive up to $7,500 in the form of a tax "credit" but were required to pay back the credit over a 15-year period.

Earlier this year President Obama signed into law the American Recovery and Reinvestment Act of 2009, which increased the maximum amount of the tax credit to $8,000 and eliminated the payback provision. To be eligible for the credit, homebuyers must not have owned a home in the previous three years, must close on their purchase no later than November 30, 2009, and must make less than $75,000 for individuals and $150,000 for households.

Under the new law, the first-time homebuyer tax credit has been extended, and a $6,500 tax credit for existing homeowners has been added. Here are the details:

- *Eligibility criteria for the first-time homebuyer tax credit have not changed: a new homebuyer must have not owned a home in the past three years.*

- *To be eligible for the $6,500 homebuyer credit, homebuyers must be buying a new primary residence and must have lived in their existing home for at least five of the previous eight years. (The credit is not available for vacation or investment property purchases.) Homebuyers are not required to sell their existing home to be eligible for the credit.*

- *The credit is available to homebuyers who qualify, as long as they enter into a sales contract no later than April 30, 2010 and close no later than June 30, 2010. The $6,500 existing homeowner tax credit becomes effective December 1, 2009.*

- *In addition to expanding the tax credit to existing homebuyers, the new law raises the income qualification thresholds to $150,000 for individuals and $225,000 for households.*

Although many critics have pointed out that the extension and expansion of the home-buying tax credit is poor public policy, there is no question that ***it offers a unique opportunity for existing homeowners to purchase a new home with a generous government subsidy.***

Mortgage rates remain near historic lows and, according to the Case-Shiller Home Price Index, real estate prices in the Portland-Metro area remain 20% off their July 2007 highs. If you've been considering a move, this may be your once–in-a-lifetime opportunity. Please contact us if you'd like to review your loan options and obtain pre-approval.

## SUMMARY OF THE NEW LAW

- Extends home buying tax credit to April 2010 (must close by June 2010)
- Expands tax credit to include $6,500 existing homeowner credit
- Increases income thresholds for qualifying ($150,000 for individual & $225,000 for households)

## EVAN HEADS BACK TO CLASS *By Evan Swanson, CMPS*

I hope that, for those who have worked with the Swanson Johnston Lending Team in the past, our commitment to education has been evident. This commitment is one of the greatest passions of my professional life.

In fact, education is so important to our style of doing business that one of our three core convictions calls for us "to engage our clients and ourselves in continuous educational opportunities."

I recently took a major step toward this objective when I started back to school at the University of Portland's Pamplin School of Business. I am currently enrolled in the Executive Certificate for Financial Planning Program with the intent of sitting for the CFP® (Certified Financial Planner) certification exam.

The CFP® is a professional designation issued by the Certified Financial Planner Board of Standards, Inc. and is given to financial professionals who have completed an education program, passed a rigorous test, met a three-year work experience requirement, and passed a background check. Currently, I am about three months into a year-long education and study program that will prepare me to sit (and hopefully pass) the exam in July of 2010.

So what will the CFP® designation do for my business?

My main objective in working toward this designation is to gain a better understanding of the various topics involved in comprehensive financial planning so that I can provide better advice to my clients.

My experiences in the past seven-and-a-half years as a mortgage professional have taught me that most people make financial decisions with a linear train of thought. As a result, their financial decisions become a series of seemingly unrelated events with unintentional consequences.

The process is analogous to attempting to make the surface of a waterbed flat. When a person is focused on pushing one area of the waterbed down, he or she inevitably displaces water to another area, pushing that section up.

For example, when homebuyers decide to buy a house, they commit to a specific loan, with specific monthly payments, closing costs, and down payment. This choice is often made with a narrow frame of reference that will significantly affect their ability to fund other financial objectives, such as saving for retirement or education and paying off debts. As a result, the objective of making the surface flat or becoming "financially free" is rarely accomplished.

My goal is to be able to bring a comprehensive planning perspective to the mortgage process so that my clients can make informed financial decisions designed to help them reach their future goals.

It may be that in the long run I also expand my financial practice to include comprehensive financial planning services. In the meantime, I'd love to be a resource for you if you have any questions related to your mortgage or other financial topics.

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