What Will A Housing Stimulus Package Do For You?

The faltering economy is hurting hard working American families across our community. Soaring gas and food prices are pinching pocketbooks and the current mortgage crisis has hit consumers and the housing sector particularly hard.

The housing industry plays a critical role in the nation's economy. Housing and housing-related services account for about 15 percent of the Gross Domestic Product. As housing goes, so goes the economy.

Congress is considering a variety of measures to help bolster housing and the economy and avert an impending recession. But what do these proposals mean to you — the average citizen?

The House and Senate have each passed housing stimulus packages designed to help ailing home owners, jump-start the housing market, save jobs and restore consumer confidence. But the packages are not the same. And the entire effort could be derailed if the two sides — and the White House — can't agree on a single, comprehensive package.

Here are some of the key provisions that need to be included in a final housing stimulus package that the President can sign into law in order to truly benefit Americans and get our economy moving in a positive direction once again.

Temporary home buyer tax credit. The ability to deduct the mortgage interest you pay from your taxes is already a great financial incentive to own a home. With a tax credit, you will be able to reduce your taxable income even more the first year after you buy a home, meaning you will get a bigger refund or have a lower tax bill.

This will help get the ball rolling and sell homes that have been sitting on the market for months. Sellers will in turn buy new homes. Demand will increase, and home prices will stabilize. Stable prices will protect both existing home owners who may need to refinance, and sellers who can't afford to take a loss. Shoring up home prices will halt the downward spiral in the housing market, stabilize financial markets and move the economy forward.

FHA modernization. The FHA program helps get affordable mortgages for borrowers with less-than-ideal credit ratings or limited down payment cash. But the current program is in big trouble as foreclosures increase. Taxpayers could end up bearing some of the resulting costs.

To help get the program healthy again, the value of FHA-eligible loans needs to increase to be more in line with current home prices; the amount of money required as a down payment by borrowers who prove they will be able to make the payments needs to be lower; and some borrowers who are in danger of foreclosure should be allowed to refinance into FHA loans.

GSE reform. Freddie Mac and Fannie Mae are government-sponsored enterprises (GSEs) that help lenders give more money to more buyers. Changing the way they are administered will free up more funds for home purchases or to refinance troubled loans.

Mortgage revenue bond program. This program helps finance the purchase, rehabilitation or improvement of single-family residences for low- and moderate-income families and individuals. Expanding this program will help distressed borrowers who need to refinance their home loans, and will mean less homes will go into foreclosure. It will also provide mortgages for first-time home buyers.

Net operating loss carryback. Any business that loses money in 2008 and 2009 would be able to use those losses to offset taxes they paid for the previous four years, compared with the two-year carryback allowed under current law. By allowing resulting losses to be claimed now, builders and other businesses that are suffering will be given additional financial resources to get through the economic downturn, pay their employees, and even avoid bankruptcy.

More than half a million homeowners could benefit if these provisions are included in the final housing stimulus package that is adopted, which would in turn help all Americans by restoring housing as an engine of the economy.

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