



MISSOURI HOUSING DEVELOPMENT COMMISSION

Strength, Dignity, Quality of Life

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News Release/News Advisory/Request for Coverage – 01/16/09

MHDC Rolls Out Innovative New Program For First-Time Homebuyers

Missouri Housing Development Commission (MHDC) has developed a new product to enable first-time homebuyers to take advantage of the \$7,500 federal first-time homebuyer tax credit. This program is the first of its kind in the nation.

The federal first-time homebuyer tax credit was created by Congress this summer to encourage new homebuyers to purchase homes and thereby stimulate housing markets. However, the federal tax credit has been largely ineffective. One of the primary reasons the federal credit hasn't worked is that the homebuyer doesn't receive the money until he receives his federal income tax refund – which may be several months after the home is purchased.

With over 30 years experience funding mortgages for first-time homebuyers, MHDC knows that the biggest barrier faced by first-time homebuyers is acquiring money for downpayment and closing costs. As a result, MHDC created a program that allows homebuyers to receive the value of the tax credit at the time of closing.

How the Federal First-Time Homebuyer Tax Credit Works:

- First-time homebuyers receive a tax credit worth 10% of their home purchase, up to \$7,500. The credit is claimed on the homebuyer's federal tax return. The credit is refundable, which means that the homebuyer receives a refund for the amount of the credit minus any federal tax liability. The credit is essentially an interest-free loan from the federal government and must be repaid through an increase in federal income taxes over a period of 15 years.

How the MHDC Tax Credit Advance Loan Program Works:

- MHDC makes a second mortgage to the homebuyer at the time of closing worth up to 6% of the home purchase price or a maximum of \$6,750, which is used to cover downpayment and closing costs. The tax credit advance loan is paired with MHDC financing for the first mortgage in the form of a safe 30 year, fixed rate mortgage. The homebuyer then files for the federal tax credit and uses the credit refund to pay off the MHDC tax credit advance loan. If the tax credit advance loan is paid off by the designated deadline, the homeowner pays no interest other than a modest servicing fee. If the tax credit advance loan is not paid by the deadline, principal and interest payments to repay the loan over 10 years begin automatically.

All MHDC first-time homebuyer loans are made through a statewide network of certified lenders, and serviced by U.S. Bank. The MHDC loan programs are available for households with incomes up to \$85,500. Interested first-time homebuyers can find a list of participating lenders and other information about the program on the MHDC website (www.mhdc.com).

MHDC is the state's housing finance agency. The Commission is dedicated to strengthening communities and the lives of Missourians through the financing, development and preservation of affordable housing. MHDC was created by the General Assembly in 1969 and since that time it has invested \$5 billion for the development of affordable rental housing and mortgages for first-time homebuyers in Missouri. MHDC functions much like a bank, providing financing directly to borrowers, developers or through a network of private lending institutions. MHDC is one of only three state housing agencies in the nation to receive an issuer credit rating of AA+ from Standard & Poor's.



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The federal tax credit and the MHDC tax credit advance loan program are both currently set to expire June 30, 2009.

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NOTE TO EDITORS: Media representative questions can be directed to Kathryn Watts, Government Affairs Liaison, at 816-759-6824 or kwatts@mhdc.com. All other inquiries should be directed to Gregory Spurgeon, Single Family Homeownership Administrator, at 816-759-7228 or gspurgeon@mhdc.com. If you would like to receive this release by e-mail in rich-text format, please email kwatts@mhdc.com and provide us with the appropriate e-mail address.

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