

# First-Time Home Buyer Tax Credit vs. New Hampshire Housing

The First-Time Home Buyer Tax Credit recently passed by Congress provides a new option for many first-time home buyers. However, it cannot be combined with a New Hampshire Housing mortgage. So which option is right for you? Here are some key points to help you decide.

- **The First-Time Home Buyer Tax Credit cannot be combined with a mortgage funded by Mortgage Revenue Bonds (MRB).**

New Hampshire Housing loans are funded with Mortgage Revenue Bonds (MRB). In deciding which mortgage program to use, a first-time home buyers must consider the short-term benefit of receiving the \$7,500 First-Time Home Buyer Tax Credit versus the long-term benefit of receiving a below market, fixed-rate mortgage from New Hampshire Housing.

- **The First-Time Home Buyer Tax Credit cannot be used for a down payment.**

In order to receive the \$7,500 tax credit, you have to wait for your federal income tax refund (if you are eligible for one). If you qualify for New Hampshire Housing's Cash Assistance Option, it will immediately provide you with a 4% cash grant to help with your down payment and closing costs.

- **It's called a tax credit, but it's really an interest-free loan.**

If you choose to take the tax credit, you will be required to pay back the entire \$7,500. Starting in the second year of your mortgage, the federal government will withhold up to \$500 from your tax refund each year – and continue to do so until you have paid back the full amount. In comparison New Hampshire Housing's Cash Assistance Option provides a 4% grant at closing and has no monthly payments. New Hampshire Housing's Cash Assistance Option grant is completely forgiven after 48 months (unless you sell or refinance your home during that period). The tax credit is due and payable if you sell your home during the 15-year term.

- **What's best for you?**

A New Hampshire Housing participating lender can tell you if you qualify for a New Hampshire Housing loan, explain all the details about our loans and show you what your monthly payments will be. For comparison, they can also show you what your payments will be if you take the tax credit and a market rate (non-New Hampshire Housing) loan. You can find a New Hampshire Housing participating lender at [www.nhhfa.org](http://www.nhhfa.org).

As with any tax law change, check with your tax advisor if you have questions.



New Hampshire Housing  
(800)649-0470 / TDD: (603)472-2089  
[www.nhhfa.org](http://www.nhhfa.org)



## Will the First-Time Home Buyer Tax Credit save you money?

The chart below shows the features and requirements of a conventional mortgage combined with the First-Time Home Buyer Tax Credit as compared to a New Hampshire Housing below-market, fixed-rate mortgage without the tax credit.

	<b>First-Time Home Buyer Credit (interest-free loan)</b>	<b>New Hampshire Housing's Single Family Mortgage Program</b>
<b>Eligible property</b>	Any single family residence (including condos) used as a primary residence.	Any single family residence (including condos) used as a primary residence within New Hampshire Housing's income and purchase price limits (see <a href="http://www.nhhfa.org">www.nhhfa.org</a> ).
<b>Time limits</b>	Home must be purchased on or after April 9, 2008 and on or before June 30, 2009.	No time limit.
<b>Income limits</b>	Individuals with adjusted gross income of no more than \$75,000 (or \$150,000 if filing joint return) qualify for the full amount.	See New Hampshire Housing purchase price and income limits at <a href="http://www.nhhfa.org">www.nhhfa.org</a> .
<b>First-time home buyer only</b>	Yes. Borrower (and spouse) may not have owned a primary residence during the three previous years.	Yes. Borrower (and spouse) may not have owned a primary residence during the previous three years (except in Targeted Communities).
<b>Amount of credit</b>	10 percent of cost of home, not to exceed \$7,500.	Not applicable
<b>Down payment and closing cost assistance</b>	Most loans require 5% down. Borrower receives no down payment or closing cost assistance at closing and must wait for tax refund to realize the interest free loan.	1% borrower's own money when using Cash Assistance Option. Borrower can receive up to 4% of the base loan amount for down payment and closing cost assistance.
<b>Recapture</b>	The full amount of the tax credit must be repaid. Beginning in the second year of the mortgage, the federal government will withhold 6.67 percent of the credit amount, up to \$500.00 from the borrower's federal tax refund. Payments will continue for 15 years, or until the tax credit has been paid in full. If the home is sold before 15 years, any amount of the tax credit that has not been repaid will be due in the year of sale.	Loans funded from this program could be subject to recapture tax, however this tax usually affects only borrowers who have realized unusually rapid increases in income, in addition to significant appreciation in the value of the property. Required payment of this tax is initiated by the sale or transfer of the financed property within nine years of purchase date. After nine years it is no longer in effect.
<b>Interest rate</b>	Generally market rate.	Below market-rate financing.

**Savings Example:** The following estimate is based on a \$170,000 loan amount

	<b>First-Time Home Buyer Credit</b>	<b>New Hampshire Housing</b>
<b>Interest rate</b>	6.75%	6.40%
<b>Payment</b>	\$1,213.00	\$1,174.00
<b>Monthly savings</b>	\$0	\$39.00
<b>Annual savings</b>	\$0	\$468.00
<b>Over 30 year term</b>	\$0	\$14,247.00