

The Emergency Economic Stabilization Act of 2008

The Emergency Economic Stabilization Act of 2008 (EESA) contains a number of provisions that affect Minnesota Homeowners:

Tax break extension:

The EESA provides a tax break that means that homeowners won't owe federal income tax on certain mortgage debt that their lender forgives before Jan. 1, 2013.

Previously, under federal tax law, any forgiven debt was subject to federal income tax, as it was considered a 'gift' or 'income' from the lender to the homeowner. For example, lenders can agree to a "short sale" for an amount that is less than the mortgage. The unpaid debt (the difference between the sale amount, and the mortgage amount) is forgiven. Congress, in late 2007, changed the tax law, making an exception to the rule for mortgage debt up to \$2 million on a primary residence. The exception covered mortgage debts forgiven in 2007, 2008 and 2009. The EESA extends that time period by an additional three years.

The tax break also applies to foreclosures, deed-in-lieu of foreclosures or loan modifications but is subject to a number of stipulations that homeowners need to be aware of. For additional information, see the "*Mortgage Debt Forgiveness – Key Facts*" information sheet produced by the Minnesota Homeownership Center.

An additional deduction:

This year, homeowners who don't itemize on their taxes can take an extra deduction to cover the amount of their property taxes. The deduction is up to \$500 for individuals and \$1,000 for married couples. The EESA allows homeowners to use this deduction in 2009, too.

Mortgage modifications:

The law directs the Treasury Department to try to minimize foreclosures and to work with lenders and loan servicing companies to achieve that goal. The law also directs other federal agencies to modify loans they own or control to help minimize foreclosures.

There are two things Minnesota Homeowners need to keep in mind, however: the Treasury, for the most part, will be buying mortgage-backed securities, not individual home loans – limiting the number of modifications that the Treasury oversees, and the new legislation directs lenders and loan servicers to a voluntary loan modification program. The details of these programs have not been established by the Treasury.

Minnesota home owners who are having difficulty with their mortgage payments should not wait for further details before seeking help. The Minnesota Home Ownership Center oversees a network of non-profit Mortgage Support Advisors that can offer Minnesota homeowners personalized assistance to identify options they may be able to access to become or stay current or even negotiate on their behalf with your lender or servicer for re-payment strategies. The services offered by these highly-trained professionals are free and confidential.

This information is provided as a service of the Minnesota Home Ownership Center and is not legal or tax advice, nor should it be perceived as a definitive explanation of all aspects of the EESA.

DON'T WAIT

Waiting limits your options. If you are having difficulty making your mortgage payments, contact your local Mortgage Support Advisor today.

For information on how to contact your Mortgage Support Advisors, call the Minnesota Home Ownership Center today: (651) 659-9336 or (866) 462 – 6466 or visit hocmn.org.