

GOVERNOR PATERSON ANNOUNCES FEDERAL INCOME TAX CREDIT FOR FIRST-TIME HOME BUYERS

Tax Credit Could Save the Average Homebuyer Approximately \$1,500 Each Year

Credit Will Help Stimulate Home Sales in New York State

Governor David A. Paterson today announced that New York will offer a federal income tax credit to first-time homebuyers to encourage home sales in the State. The New York State Mortgage Credit Certificate (MCC) will enable first-time homebuyers to claim a tax credit equal to 20% of their annual mortgage interest costs, potentially saving the average homebuyer about \$1,500 each year. The program will effectively extend, and in some cases improve upon the federal government's \$8,000 First-Time Homebuyer Credit enacted as part of the American Recovery and Reinvestment Act of 2009, which expires on November 30th.

"The best way to jump-start the housing market is to encourage home purchases by first-time homebuyers," Governor Paterson said. "The New York State Mortgage Credit Certificate will make it easier for first-time homebuyers to buy their first home and will help stimulate the State's economy. It also means some form of federal tax credit will be available for homebuyers even after the federal government's tax credit program expires in November."

The New York State Mortgage Credit Certificate (MCC) can be used to reduce a homebuyer's tax burden for every year the mortgage loan remains outstanding. With an MCC, 20% of the amount paid in mortgage interest becomes a tax credit that can be deducted, dollar for dollar, from a homeowner's federal income tax liability. The remaining 80% of the mortgage interest continues to qualify as an itemized tax deduction, as long as there is sufficient federal tax liability. The MCC will be administered by the State of New York Mortgage Agency (SONYMA), a State agency that offers a variety of fixed-rate mortgages tailored to the needs of first-time homebuyers.

Priscilla Almodovar, SONYMA President and Chief Executive Officer, said: "Offering a federal tax credit is a powerful incentive to bring first-time homebuyers into the market and it helps with a family's cash flow needs. This program will help stabilize housing prices and at the same time further Governor

Paterson's goal of promoting sustainable homeownership for working families."

Prospective homebuyers should apply for the Mortgage Credit Certificate when they apply for a fixed-interest rate mortgage from a participating lending institution. MCC applicants will be required to meet SONYMA's income and purchase price limits, which can be found at <http://www.nyhomes.org>. However, homebuyers who obtain a SONYMA mortgage will not be eligible to apply for the Mortgage Credit Certificate tax credit.

MCC applications are expected to be available at participating lenders by early September. In addition, homebuyers who have already obtained a mortgage commitment can apply at their bank for an MCC if they have not yet closed on their new home. SONYMA anticipates that MCCs will be used by as many as 700 borrowers in 2009.

Borrowers who are approved for an MCC will be able to take advantage of the credit when they file their annual federal tax return. If a homebuyer's tax liability is less than the Mortgage Credit Certificate credit in any one year, the amount of unused tax credit can be carried forward for up to three years.

In the first year of ownership, a homeowner with a \$150,000 loan at a 5.5% interest rate will likely pay \$8,200 in interest on his or her mortgage. With an MCC, the homeowner can claim 20% of the interest, or \$1,640, as a direct tax credit resulting in a savings of \$137 per month. As long as he or she continues to occupy the property, the average homeowner can save approximately \$1,520 per year over the first 10 years.

Mortgage Credit Certificates are financed through the use of New York State's private activity bonding authority. The IRS allows states to convert \$4 in bonding authority, or volume cap, for every \$1 approved in MCC tax credits. NYS plans to use \$80 million in volume cap to finance \$20 million in MCC tax credits.

In addition to the MCC, borrowers can also claim up to \$8,000 with the Federal First-Time Homebuyer Credit enacted as part of the U.S. American Recovery and Reinvestment Act of 2009. The Federal First-Time Homebuyer Credit is available to first-time homebuyers who purchase a home between January 1,

2009 and November 30, 2009. For more information on the Federal First-Time Homebuyer Credit, please visit <http://www.treas.gov/press/releases/tg39.htm>.

Philip LaRocque, Executive Vice President of the New York State Builders, said: "We welcome the New York State Mortgage Credit Certificate offering as an important step in bringing more new and existing homebuyers to this very challenging housing market. A housing industry recovery always leads us out of recession and this MCC should help stimulate new and existing home sales in New York State therefore helping move the industry in a positive direction."

Daniel J. Hartnett, President of the New York State Association of REALTORS(r), said: "We applaud Governor Paterson for his vision in creating the Mortgage Credit Certificate program and for recognizing the importance of housing as a primary driver of the Empire State's economy. The past four months of increasing home sales across the State have proven the value of buyer incentives. We expect, when coupled with the federal first-time buyer credit of \$8,000, the MCC will bring additional buyers back to the market and further boost the recovery of both the State's housing market and economy."