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U.S. Housing Stimulus Bill Becomes Law

After months of debate and compromise between the U.S. House and Senate, Congress has agreed upon and President Bush has signed into law, H.R. 3221-The "Housing and Economic Recovery Act of 2008." This long awaited legislation is intended to aid the struggling housing sector and bolster the ailing housing finance system.

The key aspects of this law include:

- A temporary first time buyer tax credit of \$7,500.00 for first-time home buyers that can be used for a home sale closing on or after April 9, 2008 and before July 1, 2009.
- An updating of the Federal Housing Administration. FHA will have the ability to guarantee up to \$300 billion to refinance troubled mortgages with federal insurance. The goal is for more maneuverability in the financial markets to respond to potential borrowers' needs allowing more opportunity for home ownership.
- Government-Sponsored Enterprise (GSE) reform to regulations concerning Fannie Mae and Freddie Mac. The government will expand its line of credit to these two institutions and the U.S. Treasury will purchase an equity stake in the companies through the end of 2009.
- Mortgage Revenue Bond Program to expand by an additional \$11 billion. These mortgage revenue bonds will help home owners looking to refinance their home loans.
- Low Income Housing Credit to be created to expand the supply of affordable rental housing.

Uncertainty in the mortgage credit markets and the overall decrease in home prices have had a devastating impact on the housing market. Adjustable Rate Mortgages (ARMs) have risen and home values have fallen, making it difficult for existing homeowners to keep their homes and potential homebuyers to enter the market.

The hope is that this bill will provide incentive to homebuyers, aid struggling homeowners, reduce current housing inventory levels and reform major lending institutions such as Fannie Mae and Freddie Mac.

Does this mean that recovery is just around the corner? None of the so-called experts are predicting this. The Midwest has not been immune to the events of the last two years. But with the news of this recent legislation, there is something positive to talk about.

At Cascade Mfg Co we remain optimistic about the future of housing and the need for components to serve the marketplace when it returns.

