

## Cashing In on the Stimulus

From cash for clunkers to first-time home-buyer plans to subsidized health-care benefits, here's how to make the most of the government's new programs.

By Linda Stern | Newsweek Web Exclusive  
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Critics say that all of the moving parts of the Obama stimulus plan are barely moving at all—that the broad package of economy-goosing goodies isn't being managed aggressively enough to produce results. The mortgage-modification program has barely scratched the surface of the 1.6 million properties headed for foreclosure, and the Feds are still fine-tuning programs aimed at would-be refinancers and car buyers. "I don't get the sense of urgency," Senate banking committee chairman Christopher Dodd said at recent oversight hearings.

But for consumers, it might all be moving too fast. Blink and you might miss the whole "cash for clunkers" program, which starts on July 24 and will only be on the table for a little more than three months. Also, there's a good chance the \$8,000 refundable tax credit for first-time home buyers will expire before lenders figure out how to use it. Laid-off workers, car shoppers, and homeowners have to keep up with ever-shifting program guidelines and procedures while keeping a list of varying deadlines in mind.

Here are the latest developments on the various government giveaways.

**Cars.** The "cash for clunkers" program starts formally on Friday, July 24, but some hungry dealers have jumped the gun and started offering cash for old gas guzzlers earlier in the month. They are also heaping incentives on top of the government giveaway; Chrysler is going to match the \$3,500 or \$4,500 federal rebates. Of course that just means consumers have to bargain that much harder on the actual price of the car; they can find all of the program guidelines at cars.gov. The funding for that program runs out on Nov. 1, but it isn't the only federal cash-for-cars deal on the table. Through 2009, the IRS also allows new-car buyers to deduct the sales and excise taxes they pay on their cars, even if they don't typically itemize deductions.

**Houses.** There's an \$8,000 refundable tax credit for first-time home buyers on the table, but they've had trouble using it. That's because most home-shopping newbies don't have the cash for a down payment, now de rigueur for most mortgages in the conservative new lending era. In May, the Department of Housing and Urban Development said Federal Housing Administration lenders could create bridge loans that fronted the \$8,000 to buyers until they got that cash back on their taxes next spring or summer. Not very many lenders did, notes Nicole Hall of LendingTree.com. "The way lenders have to structure those loans is complicated and kind of costly, and there's not a lot of incentive for lenders to do it," she said. States have started jumping into that breach, and Massachusetts enacted a new program in mid-July that would put it in the position of creating those bridge loans. Other states have programs, too, and there's a list at the Web site of the National Council of State Housing Agencies. Would-be home buyers had better start lining that cash up; they have to close on their homes by Dec. 1 to get that deal. Then there's the modification mess. The original stimulus plan gave lenders the go-ahead to refinance problem loans that were worth as much as 105 percent of the homes they were written on, but that wasn't nearly high enough for the big loans and deflating houses in many markets. Then Fannie Mae and Freddie Mac said they would allow loans they owned to be revised even if they were as much as 125 percent of the home's value—but not until September. Now that date's been pushed to Aug. 1. Historically low interest rates still prevail, so that could be a good deal for borrowers with good credit scores and lousy mortgages—if they can get their banks to go along with the program. The second leg of the mortgage-relief plan was aimed at the foreclosure-bound, but that program has had its problems. The Treasury pushed banks to renegotiate troubled mortgages, but the lenders didn't really have the staff or the infrastructure to hit the ground running.

This program is soon to scale up, says Treasury official Herbert Allison. Beginning on Aug. 4, the Treasury will begin monitoring and reporting on how well each individual lender is doing under the program, and all participating lenders have been called into Washington for top-level meetings next week.

Troubled borrowers do have recourse, says **Sylvia Alayon of the Consumer Mortgage Audit Center**, a Florida firm that examines loans for frauds and flaws. Her company scours bad loans for foreclosure-prevention lawyers who are trying to get workouts for clients; she says that in 98 percent of the loans she sees there are some violations (often missing disclosures from the early days of the loan) bad enough to use as a negotiating wedge with reluctant lenders.

**Health insurance.** Workers who lose their jobs between Sept. 1, 2008, and Dec. 31, 2009, qualify for government-subsidized health insurance through their employers, thanks to the stimulus bill that was passed in March. It will pay 65 percent of their monthly health insurance for nine months, beginning Feb. 17, 2009. To get the subsidy, laid-off workers have to apply for continued coverage under their employer's benefit plan, typically called COBRA benefits. But by the time this bill was signed, many ex-employees had already opted out of those continuing job benefits, thinking they couldn't afford them without the subsidy. A lot of confusion ensued, and some workers have reported that their employers are erroneously denying their requests for subsidized COBRA coverage. In mid-July, the government finally set up a Web site to provide assistance for people who want to appeal those decisions at [ContinuationCoverage.net](http://ContinuationCoverage.net). It should be live for at least the first nine months of 2010, when laid-off workers can continue to get these benefits. Unless Congress passes health-care reform—or another stimulus plan—that changes it all again.

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