



INAFP

Inland Northwest Association for Financial Professionals

INAFP NEWS

May 2009

www.inafp.org

April Meeting Recap

Stephen Prince of Merchant e-Solutions presented at the April INAFP meeting. Interchange, Merchants and Acquirers was his topic of discussion. Within a single credit card transactions there are many parties involved. The acquiring side of the business allows for the payment of the merchant and the debiting of the cardholder. In order to facilitate the transaction, the acquirer charges a discount to the merchant or business owner accepting the transaction.

Of that discount, over 80% goes to the company issuing the credit card. Another 5% goes directly to MasterCard or Visa. The final 15% is all that remains to cover the costs of authorization, settlement, posting, statement reporting, merchant customer service and other overhead costs of the acquirer or interchange service organization.

In the early days of the credit card industry the rate structure was comprised of 3 different rates for Visa transactions and 3 different rates for MasterCard transactions. Today, Visa reflects 78 separate interchange categories. MasterCard presently lists 98. These fees reflect the type of card accepted - debit or credit, and the type of card program - corporate, rewards, signature etc. The costs of interchange also reflect how the card is being accepted and the number of days between authorization and settlement.

Stephen went on to cover the details of some recent consolidation in the acquiring industry. The acquiring business is becoming ever more desirable to financial institutions as lending criteria becomes more complex. Several interchange service organizations are beginning to compliment their credit card transaction processing with ACH processing and remote deposit capture. Stephen also

anticipates more consolidation in the industry in the coming months.

States turn federal tax credits into cash for would-be homebuyers

How do you turn a tax credit into a cash benefit that will have the power to stimulate the economy and improve lives? That's the task that 10 or more states are taking on, in an effort to make the recently passed federal \$8,000 first time homebuyers credit effective. Here's a reminder of what this credit entails and how to claim it:

- The credit is available to first time homebuyers, defined as an individual who has not owned a home in three year period prior to the purchase.
- Eligible buyers must buy a principal residence - new or resale -- on or after January 1, 2009 and before December 1, 2009. The purchase date is defined as the date of closing and property title transfer.
- The tax credit is equal to 10 percent of the home's purchase price, up to a maximum of \$8,000.
- Income limits apply in order to get the full credit available: for single taxpayers, \$75,000 and \$150,000 for married taxpayers. Above those limits, there is still some credit available, depending on the buyer's modified adjusted gross income.

Claiming the credit involves filing IRS Form 5405 with your federal income tax return.

This form determines the credit amount, and then carries the credit to your 1040 return. No pre-approval is necessary for buyers who qualify within the income limits above. That means that those eligible for the credit will have to wait till they file their 2009 federal income tax returns and receive their refunds. Buyers can also adjust their payroll withholding or their quarterly tax payments, using guidelines in IRS Publication 919. Or, they can amend their 2008 returns to get the credit earlier.

For those who amend, the purchase is treated as if it occurred on December 31, 2008. The ability to amend depends on the modified adjusted gross income earned in 2008.

Apart from amending a 2008 return, homebuyers wishing to take advantage of the credit have to have some other way to come up with the funds in time to meet the November 30th deadline... and that isn't easy. In Washington state, the Washington Realtors Association conducted a study which showed that about half of would-be homebuyers cannot save enough to come up with the down payment and closing costs... thus locking them out of taking advantage of the \$8,000 credit and the current low prices and low interest rates. That's a problem that several states are seeking to address by monetizing the \$8,000 credit.

Prior to this credit, Washington already had a tax credit bridge loan program for buyers through the Housing Finance Commission. Now they are working on a plan to use this tax credit to expand the existing program. State Treasurer James McIntire is hoping to get a public-private down payment plan started that would make assistance available to more people. This would involve depositing \$25 million in state funds into an interest-bearing account in an FDIC-insured bank. The bank would then set up revolving lines of credit which the State Housing Commission would be able to use to expand its efforts. In addition, the Washington Realtors Association is kicking in \$400,000 to backstop against future unexpected losses.

McIntire is working with the federal government to find a way to have tax credit funds paid to the state instead of to the taxpayers who qualify for the credit. This would ensure prompt repayment and give the state the ability to turn the money back around to help other eligible homebuyers before the November 30th deadline.

Missouri was actually the first state to address the need to help homebuyers with special loans, known as "tax credit advances." The advance - which is technically a lien - can be for up to six percent of the home's price. Borrowers have until June 2010 to repay the loan, giving them plenty of time to file their 2009 tax returns and get their refunds. What happens to borrowers who can't repay? The advance becomes a traditional second mortgage, which comes with a fixed interest rate, one-half percent higher than their first mortgage rate.

Colorado has a similar program, called "Jumpstart." Jumpstart requires homebuyers to also complete free homebuyer education classes to qualify. The credit advance, which takes the form of a second mortgage at zero percent interest, requires no payments if it is repaid by June 30, 2010. If not repaid by that date, the second mortgage interest rate jumps to 8 percent for a 10 year term.

The Delaware State Housing Agency provides up to \$10,000 in down payment and closing cost assistance. It has also lowered its 30 year fixed rate to 5.5 percent with zero origination points.

The New Mexico Mortgage Finance Agency provides first time homebuyers with loans of 8 percent of the home's sale price or \$6,500, whichever is lower, to cover the down payment and closing costs. This loan is interest free if repaid by June 30, 2010.

Pennsylvania's Housing Finance Agency makes available loans to cover down payments and closing costs, with a second mortgage for the lesser of 10 percent of the purchase price or \$6,000 for new construction, or \$5,000 for existing homes.

First time homebuyers in Tennessee can receive 3.5 percent of the purchase price through a second mortgage loan from the State Housing Development Agency. This type of loan is interest free until June 1, 2010. To qualify, borrowers must meet credit requirements and complete homebuyer education courses.

The most recent state to come up with a tax credit advance program is Kentucky. Kentucky Housing Corporation has set aside \$5 million to fund the loans, which can be as high as \$4,500 in \$100 increments, and must be repaid by July 1, 2010.

Other states - including Idaho, New Jersey and Ohio - are also reportedly working to develop ways to monetize the federal tax credits in order to maximize the number of people who can take advantage of the opportunity. IRS Commissioner Doug Shulman and other IRS officials are reviewing state requests such as the one from Washington

State and from Charles McMillan, president of the National Association of Realtors to facilitate the rapid repayment of tax credits to state programs. If the federal tax credits are going to be effective, states need to turn the money around as quickly as possible so they can lend it back out again to more waiting buyers.

From AccountingWeb.com

Bottom Line: One Day You May Run Your Finance Dept on Your iPod

It isn't yet possible to run a finance department from an iPhone, but a number of new applications hint at that future possibility.

Apple's iTunes site (www.itunes.com) now lists thousands of applications for the iPhone and iPod handheld devices, a handful of mobile banking apps, and others of interest to financial professionals. Not long ago, some of this functionality would have required serious desktop machinery.

Suffice it to say that developers ought to be thinking of mobile solutions for financial professionals. SAP announced last month that it would be developing some corporate apps for the device. A recent AFP query on this yielded absolute radio silence from all the big banks, so, who knows, perhaps a few banks are, too.

Here are some apps that I like:

Bloomberg - One of the most useful apps in existence, this mini Bloomberg box has financial news and data in a familiar presentation.

Wall Street Journal - Just released, this application provides high quality financial and other business information, similar to the WSJ online site. This beautiful app remains free as of this writing.

Spreadsheet - Works like the best spreadsheets, with complex formula capability. With a widget that is nicer than similar desktop software, and big input fields, I was able to recreate the spreadsheet I use to calculate this magazine's profit margin, for example.

Currency XP - Over 30 currencies, updated with data from the ECB, and a calculator. It's a little more useful than the multitude of real time currency converters on iTunes.

FastFigures Finance - Very easy-to-use financial calculators for cash flow, time value of money, YTM, profit margins, break even points, various statistical scenarios, etc.

USA Economy - Major currencies, major markets, gold, oil, and other economic indicators, some analytics.

LinkedIn - Monitor your business connection updates.

Concise Oxford English Dictionary & Thesaurus - Just like the multi-volume set on my bookshelf, only it doesn't weigh fifty pounds.

Godiva - Retail therapy and quick access to Godiva chocolate best sellers. Send a business gift or reward yourself.

RSS Reader - Receive AFP articles! See the RSS Reader icon on afponline.org to learn how.

From Association for Financial Professionals

May's Meeting Topic

Please join us and our speaker Bruce Hardie for an "Overview of National and Local Housing Markets," and a look at what has driven the housing market both nationally and regional to where we are now. Is now the right time to buy and what could we be looking at for the future?

Bruce is Operating Principle of Keller Williams Realty Spokane, the largest real estate office in the Northwest Region, with 182 agents. He has 15 years experience in Spokane Real Estate and has completed over 1800 transactions. Originally a chef, Bruce owned and managed restaurants for 11 years. Bruce has been on the Keller Williams Realty International Master Faculty for 5+ years and teaches across the United States and Canada.



President's Message

Greetings,

Here we are at the end of another INAFP meeting year. As we prepare to wrap things up, the INAFP board would like your input in our efforts to plan meetings and events for next year. Our goal is to provide topics that will be both relevant and informative.

After the May meeting, we will send out the annual meeting survey. Please take a few minutes to let us know which speakers and topics you enjoyed this year. We would also appreciate any ideas for speakers or new topics that you may have for next year.

Board elections will also take place at the May meeting. Sadly, after serving on the board for 4 years as our facilities person, Robin Parks has completed her allowable term. We say farewell with much gratitude and look forward to seeing Robin at the meetings next year. Please contact me (beldred@urmstores.com) by May 22 if you are interested in serving on the board.

It's not too late if you haven't registered for the Northwest Summit. You can still go to www.northwestsummit.org to register online or just to take a peek at what the summit has to offer.

Lastly, I would like to say thank you to all of our speakers and meeting attendees over this past year. We've appreciated the support and will do our best to honor any suggestions or requests we receive for next year. Have a wonderful summer!

Best Regards,

Brian Eldred

2008 – 2009 Board of Directors:

<i>Brian Eldred / President</i>	URM Stores, Inc.	beldred@urmstores.com
<i>Jessy Hummel / Treasurer</i>	Wells Fargo Bank	jessy.w.hummel@wellsfargo.com
<i>Pat Coats / Secretary</i>	Sterling Savings Bank	pat.coats@sterlingsavings.com
<i>Robin Parks / Facilities</i>	Vehrs Inc.	robin@vehrsinc.com
<i>Denise Burns / Speakers</i>	Avista Corporation	denise.burns@avistacorp.com
<i>Stephen Prince/ Membership</i>	Merchant e-Solutions	sprince@merchante-solutions.com