MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAMS

- A MCC reduces the amount of income tax a homeowner pays by providing an annual federal income tax credit, *not a tax deduction,* that is in effect for the life of the loan, as long as the homeowner occupies the home as their principal residence.

- The value of the MCC is applied directly to the homeowner's tax liability.

- Allows the homeowner to adjust their W-4 withholding to account for the tax credit benefit, thus providing a higher monthly net income which can be considered for **loan qualifying.**

- The Issuer (HFC) chooses the MCC rate which can be between 10%--50%. If the MCC credit rate for the program is more than 20%, there is a $2000 annual dollar limit on the amount of the credit available to the homeowner's tax liability.

- General requirements for the MCC are the requirements for Single Family Mortgage Revenue Bonds.

- First-time Homebuyer Requirement (cannot have owned a home in the past 3 years with Target Area and Veteran exceptions).

- Maximum Income Limits based on the jurisdiction of the Issuer.

- Maximum Purchase Price Limits based on the jurisdiction of the Issuer.

- MCC's can be used with any FHA, VA, USDA-RD and Conventional loan product.

- Mortgage rate and term set by the Participating Lender.

- Mortgages may not be financed by the proceeds of tax-exempt bonds.

- MCC savings continue for the life of the loan and provide monthly savings.

HOW DOES THIS WORK?

Here is a sample of one year of savings with the SETH MCC Program:

The actual amount of the CREDIT is determined by interest paid each year

Loan Amount= **$240,000** Interest Rate= **7%**

Homeowner pays $16,800 in mortgage interest this year

MCC Program Tax Credit Rate= **20%**

$16,800 x 20% = $3,360

(1st Year) MCC TAX CREDIT PROVIDED: **$3,360**

BENEFIT TO QUALIFY FOR MORTGAGE LOAN: **$280/month**
Effective Rate for Homeowner: **5.75%**

- If Issuer (HFC) has bond allocation available, the MCC program can be set up at any time.
- When mortgage loan is refinanced, the MCC must be reissued by Issuer (HFC) or program administrator for borrower to continue receiving the annual tax credit.
- IRS reporting requirements for the Issuer, Lender & Borrower.