

## Mortgage Credit Certificate (MCC) Program

- \* Provides for a Federal tax credit of up to \$2,000 per year as long as the home is used as the borrowers principal residence.
- \* Qualifying requirements the same as for the Mortgage Revenue Bond loan: (1.) be a first-time homebuyer, (2.) meets household income limits and, (3.) purchase price \$225,000 or less.
- \* An MCC is not part of the financing package to purchase a home. It is an incentive for a first time homebuyer to purchase a home.
- \* Allowable Fees: 1. Issuance Fee of .50% of loan amount; 2. \$25 Reservation Fee; 3. Lender may charge up to \$150 for administration and processing.
- \* Eligible types of loans: fixed rate and fully amortizing loans.
- \* Ineligible to be used with a Mortgage Revenue Bond loan (Bond Loan).
- \* The maximum amount of MCC credits available each year is \$2,000. Unused MCC Tax Credits may be carried forward for 3 years.
- \* The borrower claims the credit when they file their Form 1040 tax return annually. They must itemize deductions and use Form 8396 “Mortgage Interest Credit” to claim the credit.
- \* To take immediate advantage of the MCC tax credit, the borrower may go to their employer and adjust their Form W-4 to reflect the anticipated amount of the credit. That will lower the borrowers federal tax withholdings and increase the monthly take home pay.
- \* “Recapture Tax” may apply if the borrower sells the house within the first nine years. We estimate that about 96% of borrowers will not be subject to “recapture tax”.

* Sample MCC Calculation:	Amount of First Mortgage	\$150,000
	Interest Rate	<u>x 5.00%</u>
	First Year Interest Paid	= \$ 7,500
	MCC Tax Rate	<u>x .25%</u>
	Amount of Tax Credit	= \$ 1,875
	Calendar Months	Divided By <u>12</u>
	Monthly Savings	= \$ 156.25

**NOTE: We recommend that borrowers seek the advice of a qualified tax preparer when deciding whether or not to take advantage of the benefits of an MCC.**