

EXAMPLE – MORTGAGE CREDIT CERTIFICATE (MCC) LOAN TRANSACTION

NHF WEB SITE SUPPLEMENT

PROGRAM HIGHLIGHTS:

The federal government allows each homeowner to claim an itemized income tax deduction for the amount of interest paid each year on a mortgage loan. The Mortgage Credit Certificate (MCC) enhances this benefit. Homeowners with an MCC are allowed to use a percentage of their annual mortgage interest as a direct federal tax credit, **resulting in a dollar-for-dollar reduction of their annual federal income tax liability**. The remaining percentage of the annual mortgage interest paid will continue to qualify as an itemized tax deduction.

The MCC may also help a homebuyer qualify for the initial mortgage loan because the forecasted credit can be considered **more “available income” when your loan application is reviewed for approval**.

Note: The exact percentage of annual mortgage interest allowed as a federal tax credit is based on the individual MCC program. The example below uses an assumption of a 25% MCC.

EXAMPLE OF HOW AN MCC WORKS:

ASSUMPTIONS

Annual Income of Homeowner	\$45,000
Income Taxes Due without Mortgage Deduction (based on an estimate @ 15% Tax Bracket)	\$6,750
MCC Credit	25%
Loan Amount	\$180,000
Interest Rate	6.00%
Annual Interest Paid	\$10,800
Deductible Portion of Interest (75%)	\$8,100
MCC Credit Portion of Interest (25%)	\$2,700

INCOME TAXES DUE

	Without the MCC	With the MCC
Income	\$45,000	\$45,000
Mortgage Interest Deduction	\$11,190	\$8,100
Taxable Income	\$33,810	\$36,900
Taxes Paid @ 15% Tax Bracket	\$5,072	\$5,535
MCC Tax Credit	\$0	\$2,700
Income Taxes Due	\$5,072	\$2,835
Tax Savings Due to MCC	\$0	\$2,237

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