

Mortgage Credit Certificate

Questions & Answers

National Homebuyers Fund, Inc. (NHF) administers MCC Programs on behalf of CRHFMA Homebuyers Fund (CHF) as well as housing related entities.

1. What is an MCC?

A Mortgage Credit Certificate (MCC) allows the homebuyer to claim a tax credit for some portion of the mortgage interest paid per year. It is a dollar-for-dollar reduction against their **federal tax liability**.

*Note: The mortgage interest credit provided by an MCC is a non-refundable tax credit; therefore, the homebuyer MUST have **tax liability** in order to take advantage of the tax credit.*

Advantages of an MCC

- MCCs reduce the homebuyer's federal income tax liability, increasing the amount of disposable income available to purchase a home.
- An MCC has the potential of saving the MCC holder thousands of dollars over the life of the loan.
- Homebuyer can claim the MCC tax credit for as long as they occupy the home purchased as their primary residence and pay interest on the mortgage loan.
- An MCC can be used with almost any type of mortgage, including adjustable rate mortgages. However, it cannot be used with tax-exempt bond programs.
- MCC programs provide homebuyers with the opportunity to buy a home by keeping more money in their pockets each month.

2. What is the Difference between a Tax Credit and a Tax Deduction?

A mortgage interest deduction differs from a mortgage tax credit in a number of ways. For example, all homebuyers, regardless of income, may take a mortgage interest deduction, whereas mortgage tax credits are available only to holders of MCCs.

A **tax deduction** or a **tax-deductible expense** affects a taxpayer's income tax. A tax deduction represents an expense incurred by a taxpayer. They are variable amounts that you can subtract, or deduct, from gross income when the taxpayer computes his or her income taxes. As a result, the tax deduction will lower overall taxable income and thus lower the amount of tax paid.

A **tax credit** is a similar concept, but is different in that it reduces the tax owed, rather than reducing taxable income. This amount of tax savings is not dependent on the rate the taxpayer pays.

An MCC provides a tax credit, based on a percentage (as determined by the Program guidelines) of the mortgage interest paid annually. The remaining mortgage interest paid annually may still be taken as a tax deduction when the taxpayer computes his or her income taxes.

3. Do I Qualify for an MCC?

In order to qualify for an MCC program you must meet the following requirements, which are established by Internal Revenue Service (IRS) regulations for MCC programs:

- Purchase a home within the Eligible Loan area.
- Be an Eligible Borrower, as published in the individual MCC Program Fact Sheet.
- Be a first-time homebuyer or have not have ownership interest in a home as a principal residence, during the last three years. Even if you are not a first-time homebuyer, you may be able to use the MCC program if you are purchasing a home located in a federally designated Targeted Area.
- Annual household income must not exceed the maximum allowed income limits for the county in which the home is located.
- The home's purchase price must not exceed the maximum allowed purchase price limits.
- Must be purchasing a home and obtaining an Eligible First Mortgage on the residence. (The First Mortgage must not be tied to a tax-exempt bond loan program.)
- Intend to occupy the residence as your principal residence.
- Must not intend to use the residence in a trade or business.
- Most types of homes qualify. New and existing single-family homes, duplexes, town homes, condominiums and manufactured homes with certain restrictions are eligible properties.

Additional requirements may be established for each individual MCC program by the Issuer or Program Administrator. Contact NHF toll-free at (866) 643-4968 for complete program guidelines.

4. How Do I Apply for an MCC?

You apply for an MCC at the same time that you make a formal application for a mortgage loan through an Approved Lender. Generally you will have made a purchase offer on a specific residential property and will be ready to supply credit information, employment data, and other information to the lender when you make a formal application for a mortgage loan and apply for an MCC. There is a non-refundable MCC Application Fee collected for the issuance of an MCC.

Step 1 – Carefully read the information provided on this website.

If you decide that the MCC meets your needs and that it looks like you initially qualify, then go to Step 2.

Step 2 – Select an available MCC program.

A list of available programs administered by NHF may be obtained by calling NHF toll-free at (866) 643-4968.

(Current as of 3/25/10)

NHF currently administers the County of Orange MCC Program with allocation for MCCs in Orange County, California and the CHF MCC Program with allocation available in San Bernardino County, California.

Step 3 – Contact an Approved Lender for the particular MCC program.

Your entire process will be handled by the Approved Lender in the MCC program you select. For a list of available programs administered by NHF and the applicable Approved Lenders, call NHF toll-free at (866) 643-4968.

When you speak with the lender, let him/her know that you are interested in the MCC program. They will verify that you qualify for the MCC program and walk you through the application process.

MCC - Q&A

Homebuyers are free to seek financing from any Approved Lender. An Approved Lender is any bank, Mortgage Company, broker, or other person providing mortgage financing participating in the applicable MCC Program. The Approved Lenders providing the financing are allowed to establish the interest rate, loan term, downpayment requirements, credit and underwriting criteria, loan type, mortgage insurance requirement, fees, points, closing costs and all other loan terms on the Mortgage Loan, as long as the mortgage loan satisfies the MCC Program requirements.

5. How the MCC Works Once You Apply

Once you apply for an MCC with an Approved Lender, the lender will contact the Program Administrator to reserve an MCC for use in connection with the mortgage loan by submitting the MCC Application package with the appropriate fee. This reservation will hold the MCC while the lender is processing the mortgage loan application and the MCC is processed by the Program Administrator.

The Program Administrator processes the MCC Application and, once approved, will issue to the lender and MCC Commitment.

The lender will finish processing your mortgage loan and then close your mortgage loan.

After the mortgage loan closes, the lender will submit an MCC Closing Package with the appropriate fees to the Program Administrator for review. Once the MCC Closing Package is reviewed and approved, the Program Administrator will issue you the Mortgage Credit Certificate.

Once you receive the Mortgage Credit Certificate, you may start benefiting from the MCC Program.

6. How Do I Claim My Tax Credit?

You may receive the complete MCC tax credit saving **annually** at the time you file your tax return **or** **monthly** by adjusting your federal income tax withholding by filing a revised W-4 with your employer. By filing a revised W-4, the number of exemptions will increase, reducing the amount of taxes withheld and increasing your disposable net income.

Homebuyers are encouraged to consult with a tax advisor and employer to help them with the necessary tax forms and, if they so choose, to properly adjust their tax withholding.

7. Completed IRS Form 1040 Example

A sample IRS Form 1040 is available on our website, so you can see an example of a completed 1040 when an MCC has been utilized.

8. How Do I Become a Lender?

To utilize the MCC program(s), a lender or mortgage broker must sign up to become a participant, and meet the qualifications of the program(s).

If you are interested in becoming an approved lender, please contact the Program Administrator, National Homebuyers Fund, Inc. for the applicable Program Lender Agreements (PLA) and to get started. The process of becoming an approved lender includes signing the applicable PLA, providing other items as requested by the Program Administrator and attending lender training.

MCC - Q&A

Benefits to a Lender

- Unique product that could increase business for most lenders.
- Opens up additional markets. Many people who might not otherwise be able to afford a home will enter the buyer's market.
- Provides a great benefit to eligible homebuyers.
- Increases applicant's income and ratios used for loan qualification purposes.
- Be listed as an approved lender on our website.
- Online training available.
- Receive updates and announcements.
- Rate and loan type is not determined by the MCC Program.
- Program forms and process is streamlined.
- No added credit underwriting/qualifying.
- Follow your normal process, the MCC Program will not slow you down.
- Assist in meeting community lending goals.

Contact Information:

National Homebuyers Fund, Inc. (NHF)
Program Administrator
1215 K Street, Suite 1650
Sacramento, CA 95814
(866) 643-4968
admin@nhfloan.org