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2010B Mortgage Credit Certificate Program

Fact Sheet

- ◆ **Harris County Housing Finance Corporation** (a local non-profit housing agency serving the county) has approved a homebuyer program called the Mortgage Credit Certificate (MCC). The MCC Program provides homebuyers with 30% of their mortgage interest back in the form of a federal income tax credit for the life of the loan. In essence, it is a dollar-for-dollar credit or about \$160 a month savings per borrower or approximately an additional annual \$2,000 tax refund.
- ◆ The MCC is a low-to-moderate income program offering benefit to homebuyers with incomes up to \$91,140 and a generous maximum purchase price limit.
- ◆ **Harris County Housing Finance Corporation** formed under a 1979 charter by the State of Texas is charged to provide financing opportunities for low-to-moderate income individuals and families.
- ◆ These programs are funded through the federal government, allocated by the State of Texas, to be used in local jurisdiction for programs such as the 2010 Mortgage Credit Certificate.
- ◆ The MCC is a companion to FHA, VA, Conventional and Rural Development loans and should be accessed through a participating lender who has paid a fee and been trained to use the program. Buyers also are encouraged to ask builders or Realtors about the program.

- ◆ A borrower's anticipated family income must not exceed:

Size of Family	Area Income
1-2 Family Members	\$78,120
3+ Family Members	\$91,140

- ◆ The home purchase price must not exceed:

Type of Home	Area Purchase Price Limit
New and Existing Home	\$298,155

- ◆ **Harris County Housing Finance Corporation** has received a total allocation of \$50 million to implement a single-family Mortgage Credit Certificate program for eligible homebuyers seeking financing for the purchase of an owner-occupied, principal residence within Harris County, but not within the cities of Houston, Baytown, Deer Park, La Porte, League City, Missouri City, Pasadena and Pearland.
- ◆ The MCC is an incentive for homeownership. In turn, it spurs move up buying and all the related economic benefits resulting from construction and ownership in the community.
- ◆ Now more important than ever, this program is a valuable resource, helping bring homeownership to many new areas.

POTENTIAL QUESTIONS CONCERNING
THE HARRIS COUNTY HOUSING FINANCE CORPORATION

MORTGAGE CREDIT CERTIFICATE PROGRAM 2010B

1. WHAT IS A MORTGAGE CREDIT CERTIFICATE (MCC)? The MCC is a tax credit that will reduce the federal income taxes of qualified buyers purchasing a qualified residence. As a result, the MCC has the effect of reducing mortgage payments. Applications must be made to the Harris County Housing Finance Corporation's program administrator, prior to closing the loan. The MCC may not be used in connection with a bond loan or the refinancing of an existing loan.
2. WHAT ARE THE MAXIMUM INCOME LIMITS FOR THE PROGRAM? There are limits on the maximum income the buyer can earn and obtain a Mortgage Credit Certificate (The buyer also must meet loan qualification requirements):

Size of Family	Area Income
1-2 Family Members	\$78,120
3+ Family Members	\$91,140

3. WHAT ARE THE HOME PURCHASE PRICE LIMITATIONS FOR THE PROGRAM? Residences that are eligible for inclusion in the program must have a purchase price that does not exceed the applicable limit of \$298,155.
4. WHERE DOES THE BUYER APPLY FOR THE MCC? Application for the MCC should be made in person at any participating lender. Any lender who has completed and filed a lender participation agreement with the Harris County Housing Finance Corporation may participate in the program. If the lender company is not a participating lender, the Harris County HFC MCC Program Manager can send a copy of the lender participation agreement.
5. WHAT TYPE OF MORTGAGE LOANS ARE ELIGIBLE UNDER THE MCC PROGRAM? The mortgage loan must be financed from sources other than tax-exempt revenue bonds. The mortgage may be a FHA, Conventional, VA or RD loan at prevailing market rates. The interest payable under the loan must not be paid to a person who is related to the borrower.
6. WHAT WILL BE THE AMOUNT OF THE MCC TAX CREDIT? The size of the annual tax credit will be 30 percent of the annual interest paid on the buyer's mortgage loan. The credit cannot be larger than the buyer's annual federal income tax liability after all other credits and deductions have been taken into account and cannot exceed \$2,000. MCC credit in excess of the current year tax liability may, however, be carried forward for use in the subsequent three years.
7. WHAT IS THE LENGTH OF TIME OF THE MCC BENEFIT? Each year the mortgage tax credit will be calculated on the basis of 30% of the total interest paid on the mortgage loan that year. The MCC will be in effect for the life of the mortgage loan, so long as the residence remains the principal residence.

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8. CAN MCCs BE ASSUMED OR TRANSFERRED? The MCC can be transferred only upon issuance of a new certificate by the Harris County Housing Finance Corporation. The person assuming the loan will have to qualify just as a new borrower would be required to qualify under the program.
9. WHAT IS THE DIFFERENCE BETWEEN A TAX CREDIT AND MORTGAGE INTEREST DEDUCTIONS? A mortgage interest deduction differs from a mortgage tax credit in a number of ways. For example, all home buyers, regardless of income, may take a mortgage interest deduction, whereas mortgage tax credits are available only to holders of MCCs. The dollar value of a mortgage interest deduction depends upon the borrower's tax bracket. If he is in the 15% tax bracket, he will save \$.15 in taxes for each dollar of mortgage interest paid. With the MCC, he will save \$1 for each dollar of credit received. Using the MCC and itemizing deductions on schedule A of Form 1040 will require the borrower to reduce the mortgage interest deduction by an amount equal to the mortgage tax credit claimed.
10. ARE THERE ANY FEES ASSOCIATED WITH MORTGAGE CREDIT CERTIFICATE PROGRAM? Yes, in addition to normal fees associated with most home loans, homebuyers who apply for an MCC pay a \$75 lender fee and are required to pay an amount equal to one percent (1%) of the loan upon closing the loan a \$75 application fee. For example, on a \$100,000 loan the fee would equal \$1,000 plus \$150 ($\$100,000 \times .01 + \$150 = \$1,150$). The fee may be paid by the borrower, the seller, a relative/friend or priced into the loan.
11. WHO IS ELIGIBLE TO RECEIVE MCCs? Any qualified home buyer seeking financing for the purchase of an owner-occupied, principal residence within Harris County, but NOT within the cities of Houston, Baytown, Deer Park, La Porte, League City, Missouri City, Pasadena and Pearland.
12. IS THERE DOWN PAYMENT ASSISTANCE WITH THE PROGRAM? Yes. Families who are first-time homebuyers and making 80% or less of median income adjusted for family size are eligible for a \$1,000 assistance grant. Income limits for this grant are as follows:

Number of Persons	1	2	3	4	5	6	7	8
Income Limit	\$36,500	\$41,700	\$46,900	\$52,100	\$56,300	\$60,450	\$64,650	\$68,800

13. WHEN DOES THE PROGRAM END? The MCC Authority expires on April 21, 2011 or when the total number of certificates (approximately \$50,000,000) are issued, whichever comes first. Loans must be closed with MCCs issued on or before that date.

MCC HOMEBUYER WORKSHEET¹

You may be able to receive from the HARRIS COUNTY HOUSING FINANCE CORPORATION and your participating Lender a TAX CREDIT that reduces your federal income taxes dollar for dollar and still be able to receive a tax deduction for most of your home interest.

Generally, you qualify if you have not owned a home during the last three years (unless the home you purchase is located in a Targeted Area or you are refinancing a Qualified Subprime Loan) and can answer “Yes” to the following:

	Yes	No
1. Is your Anticipated Annual Family Income:		
B. For a Residence located within a Targeted Area (including, through December 31, 2010, the Rita Gulf Opportunity Zone), \$91,240 or less (Family size of 3 or more) or \$78,120 or less (Family size of less than 3)?	_____	_____
2. Was your Adjusted Gross Income last year \$91,140 or less?	_____	_____
3. Have you found a single family home you would like to purchase (or in the case of a Qualified Subprime Loan, refinance) that you will occupy:		
• For a Residence located within a Targeted Area (including, through December 31, 2010, the Rita Gulf Opportunity Zone), that has an Acquisition Cost of not more than \$298,155?	_____	_____
4. Is the home within the area served by the Program?	_____	_____
5. Can you produce evidence that you have not owned a home during the past three years or meet an exception to this requirement by purchasing a Residence located in a Targeted Area?		
• For a Residence located within a Targeted Area (including, through December 31, 2010, the Rita Gulf Opportunity Zone), provide a copy of the tax return for the year most recently ended.	_____	_____
6. Have you completed a loan application at a participating Lender?	_____	_____

¹This sheet should be revised annually to reflect changes in purchase price and income limitations.

If you answered YES to all six questions, you may qualify for a Mortgage Credit Certificate!

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PLEASE NOTE: Mortgage Credit Certificates cannot be used in connection with loans which are refinancing the existing balance of a loan you already have (except a Qualified Subprime Loan or an interim construction loan) or with loans which are part of a tax-exempt mortgage bond program or a veterans' tax-exempt mortgage bond program.

CHECK TO SEE HOW MUCH MONEY YOU MIGHT BE ABLE TO PUT IN YOUR POCKET THE FIRST YEAR (not to mention each year of the remaining life of your loan!) by completing the following Mortgage Tax Credit Calculation:

Loan Amount	\$130,000
(times % interest rate of your Loan)	x 5.0%
Approximate Annual Interest	\$6,500
(times MCC credit rate)	x .30%
Approximate Annual Mortgage Tax Credit (cannot be more than \$2,000)	\$1,950

PLUS, in addition to taking the Mortgage Tax Credit dollar for dollar from the federal income taxes you owe each year, under current tax laws you can also deduct the interest paid on your Loan each year (less an amount equal to the Mortgage Tax Credit) and your property taxes.

If you think you qualify, go to your participating Lender for further information.

MCC Savings Example

Loan Amount	\$130,000
Rate	5%
<i>Monthly Payment-Principal/Interest</i>	695
<i>Tax & Insurance</i>	225
<i>Total Monthly Payment</i>	920
<i>Total Interest Paid</i>	6,500
MCC Dollar-for-Dollar Tax Credit @ 30%	\$1,950
Mortgage Interest Deduction on 70% of:	\$4,550

MCC taken:	Annually	or Monthly
Total income	\$60,000	\$60,000
Tax amount	7,000	7,000
MCC Tax Credit @ 30%	1,950	1,950
<i>Withholding</i>	<i>7,000</i>	<i>5,050*</i>
<i>Refund</i>	<i>\$1,950</i>	<i>-0-</i>

* Adjust federal withholding to increase take-home \$162.50/month