

Alameda County

**Mortgage Credit
Certificate Program
(MCC)**



First-time Home Buyer Training

Training Outline:

- ❖ What is an MCC?
- ❖ Home-buyer Requirements
- ❖ Property Requirements
- ❖ Mortgage Requirements
- ❖ Process and Forms
- ❖ Recapture

What is an MCC?:

MCC, or “Mortgage Credit Certificate”, is a Federal Program to assist First-time Home-buyers in purchasing a home.

The program allows Home-owner to take a tax credit of 15% of their annual mortgage interest

- ❖ “Tax credit” is a dollar-for-dollar tax savings
- ❖ Home-owners adjust their federal withholding to reflect the value of the MCC
- ❖ Value of MCC must be considered by lender during loan qualifying
- ❖ Home-owners receive the standard tax deduction for the remaining 85% of mortgage interest
- ❖ “Tax deduction” is only a percentage savings, while Tax Credit is a dollar for dollar.

What is an MCC?:

How does it work?

Purchase Price	\$ 400,000.00
10% Down Payment	\$ 40,000.00
Loan Amount	\$ 360,000.00
Interest Rate	5.5 %

Annual Interest Payment \$ 19,678.00

x 15%

=

1 Yr MCC Value **\$ 2,951.84**

The borrower gets this back on their taxes, or can increase their withholdings on their paycheck to receive monthly.

What is an MCC?:

MCC Value to Homebuyer

Year	Credit
1	\$ 2,952
2	\$ 2,911
3	\$ 2,867
4	\$ 2,822
5	\$ 2,773
6	\$ 2,722
7	\$ 2,668
8	\$ 2,611
9	\$ 2,551
10	\$ 2,487

What is an MCC?:

MCC Value to Homebuyer

Year	Credit
11	\$ 2,349
12	\$ 2,274
13	\$ 2,195
14	\$ 2,111
15	\$ 2,022
16	\$ 1,929
17	\$ 1,830
18	\$ 1,726
19	\$ 1,616
20	\$ 1,499

What is an MCC?:

MCC Value to Homebuyer

Year	Credit
21	\$ 1,376
22	\$ 1,247
23	\$ 1,109
24	\$ 964
25	\$ 811
26	\$ 649
27	\$ 479
28	\$ 298
29	\$ 107
30	\$ 0

What is an MCC?:

MCC Value to Homebuyer

- The total value of the MCC over the life of the loan is \$55,494

Participating Jurisdictions

Alameda, Albany, Berkeley*, Dublin, Emeryville, Fremont, Hayward, Livermore, Newark, Oakland, Pleasanton, San Leandro, Union City and Unincorporated Alameda County including Castro Valley, San Lorenzo and Sunol, Ashland and Cherryland.

*Use of an MCC cannot displace a tenant in Berkeley

Home Buyer Requirements:

- ❖ Must be a First-time Home Buyer
(Applicants may not have owned a home in the last 3 years).
- ❖ Must be Owner Occupied
- ❖ Income Limits

40% of All MCC's must go towards households at or below:

Low Income : \$72,240

The balance of MCC's go towards moderate income households

1 or 2 Persons: \$90,300

3 or More \$103,845

Home Buyer Requirements:

Whose Income?

- ❖ All residents on mortgage
- ❖ Co-mortgagors who do not reside at the residence (i.e. mom signs the note but doesn't live there) are not required to qualify.

What Income?

- ❖ Wages, Overtime, and Bonuses
- ❖ Alimony
- ❖ Public Assistance
- ❖ Dividends and Interest
- ❖ Unemployment
- ❖ Social Security
- ❖ Disability Compensation
- ❖ Child Support
- ❖ Worker's Compensation

Home Buyer Requirements:

Not Included In Income:

- ❖ Irregular Gifts
- ❖ Inheritances
- ❖ Scholarships
- ❖ Income of children under 18

Property Requirements:

❖ Eligible Structures

- Single Family, Detached
- Single Family, Attached
- Mobile Homes on permanent fixed foundation

❖ Purchase Price Limits

- Existing: \$585,000
- New: \$585,000

Mortgage Requirements:

❖ Must be a New Mortgage

❖ Prohibited:

Qualified Mortgage Bond

- i.e. Cal-HFA 1st mortgages, and most of their 2nd mortgages
- Veteran's Mortgage Bond

Negative Amortized Loans

Loans from Family

- Interest paid to related persons (i.e. parent or grand parent) is not eligible for the federal MCC tax credit.

PROCESS

TWO PHASES:

- ❖ Commitment Phase
- ❖ Closing Phase

Commitment Phase:

Commitment Phase:

❖ Lender:

- Explains Program to Applicant
- Determines applicant eligibility
- Completes application and forms
- Submits Application Package and non refundable fee of \$500 to HCD in either a cashier check, money order or company check

❖ HCD:

- Reviews Documents
- Confirms Eligibility
- Issues Commitment

Commitment Phase:

- ❖ The Commitment expires 90 days after issuance for the purchase of an existing home, and 120 days for the purchase of a newly constructed home.
- ❖ A Commitment extension of 90 days may be obtained by paying \$100 extension fee before the commitment expires.
- ❖ If the Commitment expires, a \$200 reprocessing fee will be charged to complete the MCC process and obtain a certificate.

Commitment Phase:

- ❖ If HCD receives an incomplete application package, the package will be returned to the loan officer with a deficiency letter requesting the missing information. The application will go on hold until the package is complete. If the deficiencies are not cleared up, the fee is forfeited.
- ❖ An MCC allocation is not reserved until a complete application is received (i.e. an incomplete application is not a guarantee of a future commitment).
- ❖ Once a Commitment is issued, the buyer can close their escrow and the lender can fund their loan
- ❖ After loan closing, additional documents are required.
- ❖ The MCC will not be issued until the Final docs are received.

Commitment Phase:

BEWARE!!

You must follow-up with your lender to make sure you do not lose your commitment and that the certificate is actually issued.

Recapture:



Recapture is a federal provision that requires the home-buyer to pay back a portion of the benefits received if certain requirements are not met when the home sells.

Recapture:

Recapture does not apply if home-owners meet the following criteria.

- ❖ Home-owner owns and lives in home more than 9 years.
- ❖ If a Home-owner sells the home in less than 9 years, and their income is less than income limit for year of sale (income is adjusted periodically).
- ❖ Home-owner sells home in less than 9 years and does not meet income requirements, but there is no gain on sale of the house.

Recapture:

- ❖ It is the **HOME-OWNERS responsibility** to consult with their tax consultant to determine their recapture amount.
- ❖ Recapture is determined using multiple variables, including
 - **Maximum Recapture**
 - **Year of Sale Factor**
 - **Income Factor**all of which are best left to tax consultants to determine.

Ongoing Buyer Requirements:

IRS Requirements:

- ❖ Buyer Files Form 8396 – Every Year For Tax Credit

Alameda County TIN:

- ❖ 94-6000501
(Needed for tax return)