

Mortgage Credit Certificate Program ('MCC')

Provides the income eligible buyer with an opportunity to reduce the amount of federal income tax otherwise due by an amount equal to 15% of the mortgage interest payments at a dollar for dollar credit. The remaining 85% can be taken as the usual allowable deduction of the itemized return. The result increases the household's overall income and ability to qualify for a mortgage loan. The program sets property price limits but provides some incentive in the relaxation of restrictions in the purchase of properties in designated target communities.

The Mortgage Credit Certificate program can help you qualify for a mortgage loan by increasing your buying power at your current income.

The Mortgage Credit Certificate "MCC" Program, authorized by Congress in the Tax Reform Act of 1984, provides assistance to first-time homebuyers for the purchase of owner-occupied single family homes, duplexes, townhomes, and condominiums.

An MCC will reduce the amount of your federal income taxes otherwise due but not to exceed the amount of federal taxes owed for the year after other credits and deductions have been taken. However, the unused tax credits can be carried forward three years, until used.

The federal income tax advantage provided by the MCC for a homebuyer who keeps the same mortgage loan and lives in the same house in the Alameda County will be equal to 15% of the mortgage interest paid annually on a dollar for dollar basis. This means the total of 15% of your mortgage interest is deducted directly from your annual tax debt. The remaining 85% of your mortgage interest is taken as a deduction from your gross income in the usual manner. This result in making you qualified for a greater mortgage amount with the same income.

What is the maximum purchase price for property purchased with an MCC?

In order to qualify for the MCC program your home cannot exceed the following maximum sales price:

Existing Home (<i>Resale</i>)	\$569,632
New Home (<i>Not previously owned</i>)	\$592,765

Buyer Eligibility

Who is considered to be a first time homebuyer?

Those persons who have not had an ownership interest in a "Principal Residence" within the last three years. If you have claimed mortgage interest deductions on your tax returns at any time in the previous three tax years you cannot qualify. Please note that you do not have to be considered a first time homebuyer in order to purchase in the target area if you meet income requirements defined as follows.

How much income can I earn to qualify?

The total household income (including the income of anyone who is both residing in the property, responsible for the mortgage and/or any co-mortgagor listed on title) cannot exceed:

1 or 2 person Household	\$82,200
3 or more person Household	\$94,530

How do you define Owner - Occupant?

An MCC is not available for property purchased as investment or rental. The program will require you to move into the residence that you are buying within 60 days from the date close of escrow.

What is the cost of the application fee?

A NON-REFUNDABLE application fee of \$500 is paid to your participating lender and the City to process your loan package with the tax credit benefit.

Are there any special Mortgages to which an MCC must apply?

The program can be used with any 30 year fixed rate or qualifying adjustable rate mortgage with a 30 year term. The MCC cannot be used in conjunction with the bond backed loans such as California Housing Finance Authority (CHFA) or Cal Vet bond loans. Refinancing is now permitted for qualified MCC holders through a participating lender.

What happens when I sell my home? If you sell your residence within 9 years of purchase, you may be subject to a recapture tax.

Lender and County Process

The County does not make home loans. You, the homebuyer, will go through the normal process of choosing a Realtor, finding a home, and arranging financing with one of our participating lenders. The lender will determine if you are eligible, fills out the MCC application forms with you, and sends it to the County.

[MCC Participating Lenders](#) (*MCC Participant Lenders List.doc*)

At the same time the lender is processing your mortgage loan application, the County reviews the MCC package sent by the lender to verify that you and your home qualify for an MCC. Upon confirming your eligibility, the County will issue your Mortgage Credit Certificate number and commitment.

Once you are issued your certificate and unique number, you will be allowed to take the appropriate income tax credit every year, as long as you keep the same home and the original first mortgage and continue to live in the property as your principal residence.

You may wish to adjust your federal income tax withholding (W-4) in order to receive the MCC benefit on a monthly basis. Talk to the payroll department at your place of employment. By reducing your monthly withholding, you will have more disposable (after-tax) income with which to make mortgage payments.

We are not tax advisors. If you have any questions about how your taxes will be affected, consult your tax accountant or call the IRS at 1(800) 829-3676