

Alameda County

Mortgage Credit Certificate Program (MCC)

Overview of Program



ALAMEDA COUNTY
Community Development Agency





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HOUSING & COMMUNITY DEVELOPMENT

What Is An MCC?

A Mortgage Credit Certificate (MCC) provides a First-time homebuyer with an opportunity to reduce the amount of federal income tax otherwise due:





What Is An MCC?

- “Tax credit” is a dollar-for-dollar tax savings received through filing a tax return
 - Home-owners may adjust their federal W-2 to receive a higher income each month
 - or they may take the credit as a refund when they file their tax return each year.
 - Home Owners with an MCC file form 8396 each year to qualify for their Tax Credit
- If not all of the Tax Credit is used each year, the balance may be carried over for up to three years.





What Is An MCC?

- Home-owners still qualify for the Standard Mortgage Interest Deduction.
 - Instead of receiving the mortgage interest deduction on 100% of the interest paid each year, they receive it on 80% of the interest
 - Tax deduction” is only a percentage savings, while Tax Credit is a dollar for dollar.

- Value of MCC will be considered by the lender during loan qualifying, allowing the home buyer to qualify for a larger loan.





How Does It Work?

If a Home Buyer purchases a home for \$474,000, puts down approx. 5% , & gets a loan for \$450,000:

The MCC would save them \$3,571 per year or \$63,768 over the life of the loan.

<input type="checkbox"/> Average Price	\$474,000
<input type="checkbox"/> Down Payment <small>Approximately 5% down</small>	\$ 24,000
<input type="checkbox"/> 1 st Mortgage	\$450,000
<input type="checkbox"/> Monthly PI	\$ 1,850



How Does It Work?

Effect on Interest Rate

See the difference	<u>no MCC</u>	<u>W/MCC</u>
Mortgage Amount	\$450,000	\$450,000
Sample Mortgage Rate	4%	4%
Avg. Monthly Interest 1st Year	\$2,148	\$2,148
MCC Rate	n/a	20%
Avg. Monthly Credit 1st Year	n/a	\$298
“Effective” Monthly Interest 1st Year	\$2,148	\$1,850
Savings 1st Year of Loan	\$0	\$3,571
Savings for Life of Loan*		\$63,768

*based on a 30-year loan





How Do I Participate?

First time homebuyers must work with pre-approved lenders. Please check our website for the names and phone numbers of MCC lenders who are allowed to apply to the County on your behalf

(listed under “*Approved MCC Lenders*”).



Where Can You Use An MCC?

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, Sunol, Ashland Cherryland, Fairview and Hillcrest Knolls.

* Use of an MCC cannot displace a tenant in Berkeley





Home Buyer Requirements

- Must be a First-time Home Buyer (may not have owned a home in the last 3 years).
- Home must be Owner Occupied
- Home Buyer Income may not exceed:
 - 1 or 2 Persons: \$117,000
 - 3 or More: \$136,500

Note: Forty Percent (40%) of the CDLAC's allocation will be reserved for households at 80% of area median income or lower. This would be \$93,600 for 1 or 2 person households and \$109,200 for 3 or more person households.





Home Buyer Requirements, cont.

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 included in the income limit requirements.



Home Buyer Requirements, cont.

What Income?

- Wages, Overtime, and Bonuses
- Alimony
- Public Assistance
- Dividends and Interest
- Unemployment
- Social Security





Home Buyer Requirements, cont.

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



Property Requirements

Purchase Price Limit:

A. Non-Target

- \$719,058 for an existing home
- \$802,721 for a new home

B. Target

- \$878,848 for an existing home
- \$981,103 for a new home



Mortgage Requirements

Must be a New Fixed Rate 30 year Mortgage

Prohibited:

Qualified Mortgage Bond

- i.e. Cal-HFA loans
- 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

Lender:

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

HCD:

- Reviews Documents*
- Confirms Eligibility
- Reviews Application for all requirements
- Once complete, Issues Commitment

* If the documents are not complete, HCD will issue a Deficiency Letter.





Commitment Phase, cont.

Documents Required:

- MCC 2 (Application)*
- MCC 3 – two pages (Applicant Affidavit)* **Notary Required**
- MCC 4 (Lender's Initial Certification)*
- MCC6 (Income Tax Affidavit)* **Notary Required**
- MCC 12 (Recapture Notice)*
- Executed Purchase Agreement
- Two Most Recent Paycheck Stubs
- Application Fee (\$500.00)
- Last Three Years Federal Tax Returns
- MCC Homebuyer County Escrow Instructions

* Document requires original signature(s)

NOTE: The MCC-assisted loan cannot close until after a commitment is issued. If a loan is closed before the commitment is issued, there is no MCC!





Commitment Phase

- ❑ If an application is incomplete
 - HCD sends a deficiency letter to the Lender
 - The Home Buyer is CC'd requesting the missing information.
 - Missing information must be received within 10 days, or application will be returned to Lender. The application fee is forfeited.

- ❑ The MCC Allocation is not reserved until a complete application is received (i.e. an incomplete application is not a guarantee of a future commitment).





Commitment Phase, cont.

- 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.



Closing Phase

BEWARE!!

The MCC Commitment is not the Certificate!
After the Commitment is issued, the loan may close. However, before the final Certificate is issued, and the tax credit taken on the next tax return, HCD must receive additional information. If you do not receive the Certificate, follow-up with your lender to make sure the final paperwork was submitted.





Closing Phase

☐ Lender:

- Closes Loan
- Buyer becomes an Owner
- Closing Documents are submitted to HCD by the lender or buyer within 2 weeks of closing.

☐ HCD:

- Reviews Closing Documents
- Issues Mortgage Credit Certificate for use when filing your taxes





Closing Phase

Documents Required:

- MCC 14 – Closing Transmittal Form
- MCC 5 – Seller’s Affidavit (*Must be notarized*)
- MCC 8 – Closing Affidavit (*Must be notarized*)
- MCC 9 – Lender’s Closing Certificate (*Must be notarized*)
- HUD 1 – Copy of Settlement Statement (*Must be certified*)
- Reassignment Letter, if loan was reassigned after the Commitment was issued



Recapture

Recapture is a federal provision that requires the home-buyer to pay back a portion of the benefits received if the home is sold within 9 years and the home buyers income has grown.



Recapture, cont.

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 limits are 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, cont.

❑ It is the HOME-OWNERS responsibility to consult with their tax consultant to determine if recapture applies to them.

❑ 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 Requirements

IRS Requirements:

- Lender Files Form 8329 – Every Year Lender Issues An MCC
- Buyer Files Form 8396 – Every Year For Tax Credit

Alameda County TIN:

94-6000501

(Needed for tax return)





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Refinancing your MCC Loan

Alameda County offers a Reissued MCC (RMCC) for Home-owners who are refinancing their MCC-assisted mortgages.





Refinancing your MCC Loan

There are no income limits for the RMCC Program, but the following guidelines do apply:

- Borrower(s) must own a home which was originally financed with the assistance of the Alameda County Mortgage Credit Certificate Program;
- Borrower(s) must still live in the home;



Refinancing your MCC Loan

There are no income limits for the RMCC Program, but the following guidelines do apply:

- Re-financed loan cannot be provided through Cal-HFA, Cal-Vet, or other bond programs;
- Borrower must use a MCC Participating Lender to refinance and submit their application.

The non-refundable RMCC application fee is \$750.





Alameda County RMCC Program, cont.

Unlike the original MCC, the RMCC application is **SUBMITTED AFTER THE LOAN CLOSES.**

The Lender does not submit an application until all of the items required are ready to be submitted. An incomplete RMCC application will be returned.

THE APPLICATION FEE IS NON-REFUNDABLE.



Alameda County RMCC Program, cont.

Required Submittals for an RMCC are listed below:

All Refinanced Loans:

Money Order, Cashier's Check or Lender company check for \$750, payable to Alameda County RMCC Program.

(NO PERSONAL CHECKS WILL BE ACCEPTED.)

Copy of existing Mortgage Credit Certificate currently held by Applicant. If Applicant does not have a copy, the County can provide a duplicate for a fee of \$25. **(NO PERSONAL CHECKS WILL BE ACCEPTED.)**





Alameda County RMCC Program, cont.

All Refinanced Loans, cont.

Copy of ALL existing Reissued Mortgage Credit Certificates currently held by Applicant. If Applicant does not have a copy, the County can provide duplicates for a fee of \$25 each.

(NO PERSONAL CHECKS WILL BE ACCEPTED.)

RMCC1 – (Reissued Mortgage Credit Certificate Transmittal Form - Lender Checklist)

RMCC2 – (Reissued Mortgage Credit Certificate Application Affidavit). This Affidavit must be signed by the Applicant(s) and be notarized.





Alameda County RMCC Program, cont.

Documents from “Original Loan” and “First Refinance”

- We must know and certify the amount of the pay off of the original MCC Loan.
 - This can be found on the HUD-1 Settlement Statement from the 1st refinance.

- Copy of Old Note, which states the interest rate of the original MCC loan. If applicant does not have a copy, they may contact their original Lender.





Alameda County RMCC Program, cont.

Documents from Current Refinancing:

- Copy of Preliminary Title Report with respect to New Loan (refinance).
- Copy of New Loan Application, (1003).
- Copy of Note and Deed of Trust for New Loan
- HUD-1 Settlement Statement for New Loan, certified



Alameda County MCC

- Good luck with purchasing your first home. We hope that this information has been helpful.

- Please contact your MCC lender for additional questions or comments.