

## What should I tell my borrowers about the MCC Program?

The MCC Program allows your borrowers to claim a percentage of the mortgage interest they pay each year as a federal income tax credit, reducing their tax bill by up to \$2,000 per year.

**It's like getting more than 1/3 of the interest they pay on their mortgage back every year.**

1. Your borrowers can **claim the credit every year** they are in the home and paying on loan.
2. **IMPORTANT: The MCC is only beneficial if the borrowers have a federal income tax liability to offset.** It's like a gift card to the IRS—it's only valuable toward a federal income tax bill.
  - Check out our MCC Potential Savings Calculator to estimate how much your borrowers could save.
3. **Your borrowers can still take the Mortgage Interest Tax Deduction.** The MCC lets them upgrade a percentage (up to \$2,000) of mortgage interest from a tax deduction to a tax credit, and they can still claim the remainder of the interest as a tax deduction.
4. They can use the MCC to **increase a refund** (or reduce amount paid in at tax time) **or to increase take-home pay** (if they reduce their tax withholdings on their W-4).

## Show your borrowers how much they may save with an MCC.

1. Find our MCC Potential Savings Calculator at [www.mnhousing.gov](http://www.mnhousing.gov).
2. Use the calculator to:
  - Find your borrowers' previous tax liability
  - Calculate how much they could save with an MCC
  - Print amortization schedules, including cumulative potential tax savings

**Advise your borrowers to consult a tax professional.**

## Our Family of Loans

*Whether you're just starting your home search or ready to tackle home improvements, we've got you covered. Learn more by visiting [www.mnhousing.gov](http://www.mnhousing.gov).*

**Start Up** *First-time homebuyer loans*

**MCC** *First-time homebuyer tax credit*

**Step Up** *Repeat homebuyer and refinance loans*



**Fix Up** *Home improvement loans*

## Our Mission

*Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.*

*This reference guide does not contain all information needed to originate loans for sale under Minnesota Housing programs. See the Minnesota Housing MCC Procedural Manual at [www.mnhousing.gov](http://www.mnhousing.gov) for complete information.*

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**MCC** *First-time homebuyer tax credit*

## Program Reference Guide

for Housing Industry Professionals



[www.mnhousing.gov](http://www.mnhousing.gov)

# Mortgage Credit Certificate Program *First-time homebuyer tax credit with Minnesota Housing mortgage*

The Mortgage Credit Certificate (MCC) Program is Minnesota Housing's statewide tax credit for first-time homebuyers. The MCC Program offers:

- An affordable first mortgage loan.
- An optional Monthly Payment Loan for downpayment and closing costs.
- The ability for borrowers to claim a percentage of the mortgage interest they pay each year as a federal income tax credit, saving them up to \$2,000 per year.

## Borrower Eligibility

To be eligible for the MCC Program, borrowers must meet the following requirements:

- Be a first-time homebuyer, defined as anyone who has not had an ownership interest in a principal residence for the previous three years.

- Meet household income limits: *(subject to change)*

	1-2-person household	3 person + household
<b>11-country metro</b>	\$86,600	\$99,500
<b>Rochester MSA</b> <i>Dodge and Olmsted counties only</i>	\$81,700	\$93,900
<b>Balance of state</b>	\$77,400	\$89,000

For more information, see the MCC Procedural Manual and Eligibility Income Calculation Worksheet at [www.mnhousing.gov](http://www.mnhousing.gov).

- Meet home cost limits: *(subject to change)*
  - 11-county metro area: \$307,900
  - Balance of state: \$255,500
- Minnesota Housing borrowers must meet credit score and debt-to-income (DTI) ratios. See FICO/DTI requirements on website.
- All buyers/borrowers must occupy the property and meet the first-time homebuyer definition.
- Occupy the property within 60 days after closing.
- Homebuyer education course required for some programs and borrowers ([www.hocmn.org](http://www.hocmn.org)).

## Loan Requirements

- Fixed-rate, fully-amortized loans
- Escrows are required
- 15- and 30-year terms allowed
- Eligible products: FHA, FHA Streamlined 203(k), RD, VA, Conventional Products offered by Minnesota Housing\*

*\*See product descriptions for additional requirements*

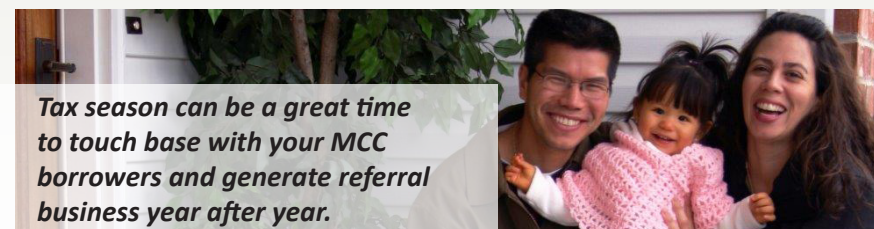
## Property Eligibility

The property must be a principal residence located in Minnesota, including:

- Single-family residences
- Duplexes
- Townhomes/condos/planned unit developments
- Modular homes
- Manufactured homes financed with government insured/guaranteed loans

Excluding:

- Investment property and recreational homes
- Home-based businesses that provide exclusive business use that is greater than 15% of the total square footage (including basement)



*Tax season can be a great time to touch base with your MCC borrowers and generate referral business year after year.*

## Downpayment and Closing Cost Loans

MCC borrowers have access to the Minnesota Housing Monthly Payment Loan to finance downpayment and/or closing costs. The Deferred Payment Loan is not available with the MCC Program. Loans may be combined with other non-Minnesota Housing Community Seconds®.

Key Features	Monthly Payment Loan
<i>Loan Amount</i>	Up to \$10,000 in increments of \$100
<i>Loan Term</i>	10-year term
<i>Borrower Contribution</i>	\$1,000 or 1% of the purchase price, whichever is less
<i>Repayment</i>	Fully amortized loan with monthly payments
<i>Interest Rate</i>	Equal to first mortgage rate
<i>Maximum Allowable Post-Closing Liquid Assets</i>	None
<i>Disclosures</i>	Industry-standard disclosures required
<i>Income Limits</i>	Same as MCC income limits
<i>Homebuyer Education</i>	Required ( <a href="http://www.hocmn.org">www.hocmn.org</a> )

## Purchase Agreement

No personal property may be included on the purchase agreement or addendum.

- Personal property is defined as anything that is not installed or attached to the property in some permanent manner and is not legally considered part of the real estate (i.e., free standing appliances, TVs, furniture, etc.).
- If there is personal property on the purchase agreement, the personal property must be removed from the transaction before the loan closing. See Minnesota Housing website for a sample form.

## Subsidy Recapture

Subsidy Recapture allows the federal government to recover tax subsidies from homeowners under limited circumstances. To owe recapture tax, *all three* of the following criteria must apply at the same time. The borrowers must:

1. Sell their home within the first nine years after closing the loan,
2. Earn significantly more income than when they bought the home, and
3. Realize a gain from the sale of the home as defined by the IRS (this is different from exposure to capital gains tax).

If Subsidy Recapture applies, the borrowers incorporate the tax into their federal income tax returns for the year in which they sell the home.