



VHDA Mortgage Credit Certificates

Boost the tax benefits of owning a home!

If you're buying your first home, a Mortgage Credit Certificate (MCC) from VHDA could save you thousands of dollars by reducing the amount of federal income tax you owe. An MCC may increase a homebuyer's tax refund each year.

Unlike an income tax deduction, an MCC is a dollar-for-dollar credit against your federal income tax liability:

- ▶ The credit is equal to 20 percent of the annual mortgage interest you pay.
- ▶ The remaining 80 percent may still be taken as a tax deduction.
- ▶ The MCC is effective for the life of your mortgage, as long as you live in the home.

Borrowers obtaining an MCC with a VHDA loan may also be eligible for a Down Payment Assistance grant (DPA).

- ▶ Lower income limits apply with DPA (see vhda.com/LoanLimits).

To be eligible for an MCC, homebuyers must:

- ▶ Apply for an MCC with an approved lender and receive a commitment from VHDA prior to closing.
- ▶ Sign the Mortgage Credit Certificate Homebuyer Application and Fact Sheet and give to your lender.
- ▶ Confirm your request on the Single Family Loan and MCC Disclosure at loan application.
- ▶ Be a first-time homebuyer, or not owned a home as a primary residence within the past three years. (This requirement may be waived if purchasing a home in a federal targeted area; to see a map of these areas, visit vhda.com/FederalTargetedAreas.)
- ▶ Use the home as their principal residence.
- ▶ Have income at or below the maximum household income limits (see chart below).
- ▶ Purchase a home that meets maximum sales price / loan limit requirements (see vhda.com/LoanLimits).

Area	Maximum Gross Household Income		Maximum Sales Price/ Loan Limit
	2 or Fewer People	3 or More People	New & Existing
Washington-Arlington-Alexandria MSA	\$125,700	\$146,700	\$500,000
Charlottesville MSA	\$90,000	\$105,000	\$375,000
Richmond MSA	\$88,200	\$102,900	
Norfolk-VA Beach-Newport News MSA	\$83,200	\$97,000	
Culpeper	\$87,500	\$102,100	\$425,000
Rappahannock	\$85,200	\$99,400	
Warren	\$84,200	\$98,200	
King George	\$92,600	\$106,900	\$322,900
Statewide (all areas not listed above)	\$76,700	\$88,200	\$251,900

Maximum loan amount for conventional loans is \$453,100. For details about loan limits, visit vhda.com/IncomeSalesPriceLoanLimits.

How much could an MCC save you in taxes?

It's important to consult with a tax advisor about this, but the chart below shows an example of the potential savings. This example assumes a \$150,000 loan with an interest rate of 5.00 percent, for a borrower with a gross income of \$50,000. *For illustration purposes only. Ask your tax advisor how an MCC would affect your taxes.*

Mortgage Interest Deduction vs. Tax Credit

	Without an MCC	With an MCC
Gross Income	\$50,000	\$50,000
Mortgage Interest Deducted	\$7,200	\$5,760 (80% of interest paid)
Taxable Income	\$34,100	\$35,540
Federal Income Tax Owed (15%)	\$4,665	\$4,875
MCC Credit Applied	--	\$1,440
Federal Income Tax Due	\$4,665	\$3,435
Taxes Withheld from Paychecks	\$5,300	\$5,300
Tax Refund	\$635	\$1,865

What will the MCC cost?

- ▶ A \$750 administration fee will be paid to VHDA. (This fee may be waived if the MCC is obtained in combination with a VHDA first mortgage.)
- ▶ A processing fee of up to \$250 may be charged by the originating lender.

What type of property is eligible?

- ▶ Single-family attached and detached residences.
- ▶ Condominiums.
- ▶ Permanently attached manufactured homes.
- ▶ Maximum lot size of two acres. (A waiver may be granted for up to five acres.)
- ▶ Property may not be used in trade or business.

What if you sell your home?

If you sell your home within nine years of closing and have also experienced a significant increase in your income during that time, you may be subject to an IRS rule known as the *federal recapture tax*. The additional amount you would owe at tax time would depend on the year you sold your house, how much gain you received from the sale and what your income was that year. Ask your lender for information, and discuss the potential impact of the federal recapture tax with your tax advisor. Watch a short animated video explaining the recapture tax at vhda.com/RecaptureTax.

Not everyone will benefit from an MCC.

You must have a tax liability to benefit from an MCC. The credit claimed cannot exceed your annual tax liability after all other credits and deductions. Unused credits may be carried forward for three years. Please consult with your tax advisor to see if an MCC is right for you. *VHDA determines whether homebuyers qualify for MCCs under the Internal Revenue Code, but homebuyers must determine for themselves whether an MCC will save them money and how valuable an MCC will be for them over the life of their loan. VHDA cannot and does not give any tax advice to anyone. Consult with your tax advisor.*

How do you apply for an MCC?

Contact a VHDA-approved lender. To find one near you, visit vhda.com/MCCLender. For more information about VHDA's MCC program, visit vhda.com/MCC.

The information contained herein (including but not limited to any description of VHDA and its lending programs and products, eligibility criteria, interest rates, fees and all other loan terms) is subject to change without notice.

