

Mortgage Credit Certificate Program Homebuyer Application and Fact Sheet

PROPOSED CHANGES TO FEDERAL LAW MAY PREVENT VHDA FROM ISSUING THIS MCC

Borrower Name

VHDA Loan # (if applicable)

Virginia Housing Development Authority (VHDA) is authorized to issue Mortgage Credit Certificates (MCC's) to eligible first time homebuyers.

An MCC provides affordable homeownership benefits to qualified homeowners through a federal income tax credit. MCC's entitle eligible borrowers to apply a percentage of their mortgage interest paid each year as a credit against their federal tax liability. The credit is equal to 20% of the annual mortgage interest paid during the calendar year. The remaining 80% may be taken by the homeowner as a tax deduction. **Note: You must have a federal tax liability to claim the tax credit.**

The MCC is effective for the life of the mortgage loan, as long as the home remains your principal residence. The MCC will not be re-issued if you refinance your current mortgage loan or if you transfer title to the property. To claim the credit, you must complete IRS Form 8396 and submit with your federal tax returns each year. You should put "Virginia Housing Development Authority" in the box called "Name of Issuer of Mortgage Credit Certificate".

If you obtain and use an MCC and sell your home in the first nine years, you may be subject to a federal recapture tax. Ask your lender for additional information regarding the potential Recapture Tax.

All homebuyers are advised to consult with a tax professional to see if the MCC will be a benefit. 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.

To be eligible for an MCC, homebuyers must:

- Be a first time homebuyer, or not owned a home as a primary residence within the past 3 years (waived if purchasing a home in a federal targeted area)
- Have income at or below the maximum allowable income limits (note – eligibility income is calculated differently from qualifying income)
- Purchase a home below the maximum sales price
- Use the home as their primary residence – not more than 15% may be used in trade or business
- Lot size may not exceed 2 acres (waivers considered up to 5 acres)

Applying for an MCC

If you wish to apply for an MCC, your lender will obtain all required documentation to determine preliminary eligibility and your lender will request VHDA to issue a conditional Mortgage Credit Certificate Commitment. Funding for this program is limited and funds will not be allocated until the conditional Mortgage Credit Certificate Commitment is issued, therefore it is important to provide required documentation to your lender as soon as requested. **If you close on your loan to purchase your home before the MCC Commitment is issued you will not get an MCC.** VHDA will review all documentation after loan closing and the MCC will then be sent to you if all MCC requirements are met. Regardless of when you receive your MCC, the issue date for purposes of your taxes will be the date you close on your loan, and that will be shown on the face of the MCC.

Note: Should the subject property be refinanced in the future, a new Mortgage Credit Certificate will NOT be reissued.

Administration Fee

If you wish to obtain an MCC, an MCC administration fee payable to VHDA in the amount of \$750 will be due at the time of loan closing. This fee will be waived if you obtain an MCC with an eligible VHDA first mortgage loan. Your lender may also charge an MCC application fee up to a maximum of \$250.00.

Please indicate if you wish to apply for an MCC if funding is available.

Borrower Signature

Co-Borrower Signature

Participating Lender Underwriter Approval _____

Underwriter email _____

The borrower(s) above have submitted required documentation and have been approved for their first mortgage loan. Documentation also indicates that the borrower(s) meet the eligibility requirements for the MCC program.