



Missouri Housing
Development Commission



LENDER TRAINING: Mortgage Credit Certificate Program Overview



MHDC.com



Single Family Programs

First Place MRB

- DPA
- NON DPA

Next Step TBA

- DPA
- NON DPA

Mortgage Credit Certificate

- Stand Alone
- Next Step DPA
- Next Step NON DPA

MORTGAGE CREDIT CERTIFICATE

MCC

- **Converts a portion of mortgage interest paid into a non-refundable federal tax credit.**
- **MCC's have to meet IRS/MHDC regulations**
 - **Income and purchase price limits**
 - **First-Time Homebuyer**
- **MCC's help first-time homebuyers qualify for a home loan by reducing their tax liabilities.**

MORTGAGE CREDIT CERTIFICATE

MCC

- **MCC will not be reissued.**
- **If refinancing or selling, the MCC will become null and void.**
- **MCCs are non-assumable and non-transferrable.**
- **If the borrower fails to occupy their home as their principal residence the MCC will become null and void.**

MORTGAGE CREDIT CERTIFICATE

MCC

- **Underwriting standards for housing expense and debt ratios may be modified to recognize the benefit of the MCC from the federal income tax credit.**
- **MCC-specific underwriting policies are available separately as policy statements from the mortgage lending industry**
 - **Generally allow the credit available under the MCC to be treated as an adjustment to the monthly loan payment amount.**

MORTGAGE CREDIT CERTIFICATE PROCESS

- **Once the reservation has been submitted, the certified lender must then send the conditional submission package to MHDC for review.**
- **This requires all documentation on the MHDC MCC checklist, provided in the reservation portal.**

MORTGAGE CREDIT CERTIFICATE

**TAX
CREDIT**

VS

**TAX
DEDUCTION**

MORTGAGE CREDIT CERTIFICATE

Entitles taxpayers to subtract from the adjusted gross income before federal income taxes are computed.

Therefore, with a deduction, only a percentage of the amount deducted is realized in savings.

**TAX
DEDUCTION**

MORTGAGE CREDIT CERTIFICATE

Entitles taxpayers to subtract the amount from their total federal income tax liability, receiving a dollar-for-dollar savings.

**TAX
CREDIT**

Mortgage Credit Certificate

MORTGAGE

	Without MCC	With MCC
Mortgage Amount	\$200,000	\$200,000
Mortgage Interest Rate	5.00%	5.00%
Monthly P&I Payment	\$1,073.64	\$1,073.64
MCC Rate	N/A	25%
Monthly Credit Amount (First Year Average)	N/A	\$206.94
"Effective" Monthly Mortgage Payment	\$1,073.64	\$866.70

TAX RETURNS

	With a MCC	Without a MCC
Adjusted Gross Income	\$65,000	\$65,000
Standard Deduction	\$12,400	\$12,400
Taxable Income	\$53,000	\$53,000
Tax	\$7,600	\$7,600
Tax Credit for MCC	\$2,000	0
Total Tax Liability	\$5,600	\$7,600

The borrower can fill out a new W-4 form with their employer to receive more money in each paycheck.

Step #1

Would an MCC Be Beneficial?

2019 1040
Return

Borrower(s) Filing Status: **Single**
 Number of Children Under 17 in Household: **0**

Adjusted Gross Income **\$ 77,213** *Line 37*
 Standard Deduction Amount **\$ 12,400**
 Itemized Deduction Amount **\$ -** *Line 42*
 Greater of Standard or Itemized Deduction **\$ 12,400**
TAXABLE INCOME **\$ 65,213**

Approximate Tax Liability **\$ 10,287**

Other Credits:

Child & Dependent Care Expenses **\$ -** *Line 49*
 Child Tax Credit **\$ -** *Line 52*
 Other Credits **\$ -**
 Total Tax Credits **\$ -** *Line 54*

Total Tax Liability **\$ 10,287** *Line 63*

Tax Liability must be > 0 to benefit from an MCC



Step #2

Mortgage Credit Certificate Benefit

	No MCC	With MCC
Loan Amount	\$ 217,000	
Mortgage Interest Rate	4.875%	3.953% Effective Mortgage Interest Rate
Term (years)	30	
Approx. 1st Year's Mortgage Interest	\$ 10,506	
MCC Credit Rate (25%, 35%, 45%)	25%	

MCC Tax Credit Amount **\$ 2,627**
Applicable Credit - not to exceed \$2000 **\$ 2,000**

Taxable Income **\$ 65,213** **\$ 65,213**

Federal Tax Liability **\$ 10,287** **\$ 10,287**
 Less MCC Credit **NA** **\$ 2,000** **Credit cannot exceed liability**
 Net Taxes Owed **\$ 10,287** **\$ 8,287**

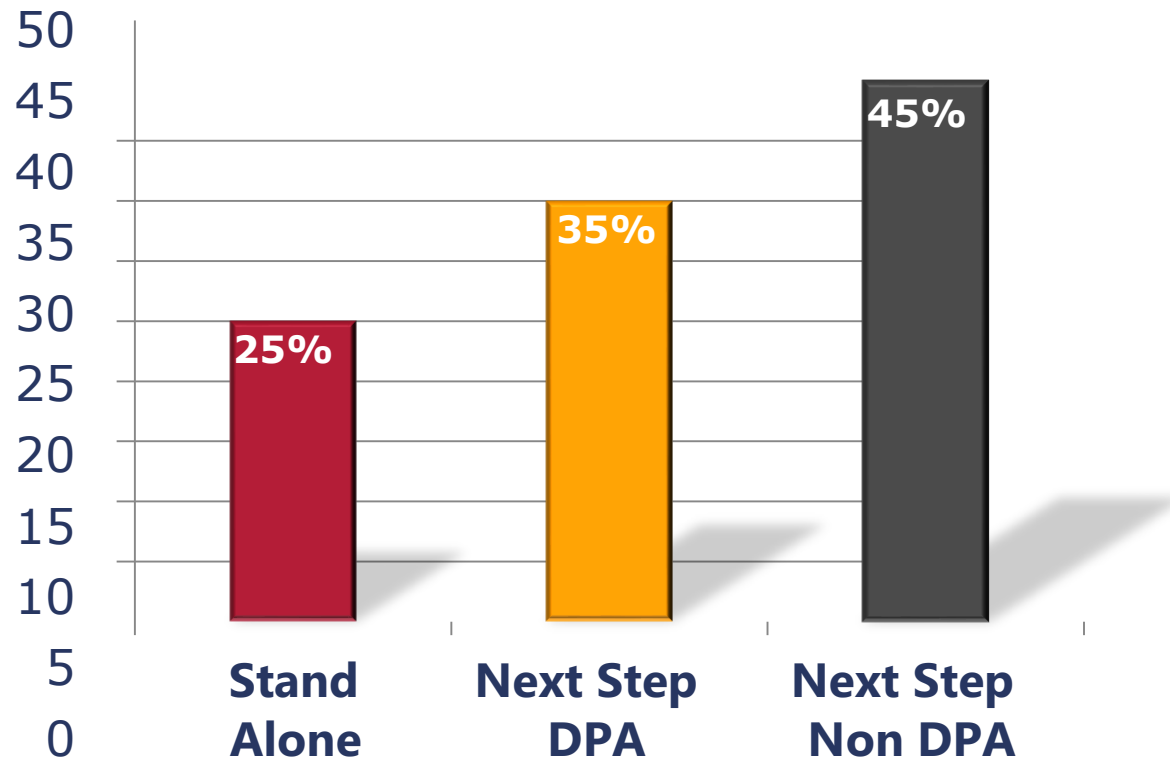
Credit Difference using MCC **\$ 2,000**

\$ 166.67 **Effective Monthly Savings**

Total Interest Savings at:

5 years	10,000
10 Years	20,000
15 Years	29,708
20 Years	37,553
25 years	42,814
30 Years	44,780

MCC CREDIT RATES



MCC STAND ALONE

- Stand Alone MCC's are borrowers who purchase the MCC only.
- Stand Alone MCC credit rate is 25%.
- MCC is good for the "Life of the Loan" equal to 25% of the mortgage interest paid in a year.
- Maximum allowable credit in a year is \$2,000.
- If allowable credit is reduced, borrower can carry forward the unused portion of the credit to the next three years or until used.
- Claim on yearly tax returns (IRS Form 8396).
- Borrowers are charged a one-time fee of 1% of the total loan amount for MCC.
- MHDC must prior approve all MCC.

MCC NEXT STEP DPA

MCC NEXT
STEP DPA

- MCC-Next Step DPA borrowers receive 4% down payment assistance along with the MCC.
- The MCC credit rate is 35%.
- MCC is good for the “Life of the Loan” equal to 35% of the mortgage interest paid in a year.
- Maximum allowable credit in a year is \$2,000.
- All other parameters remain the same as the Stand Alone MCC.



MCC NEXT STEP NON DPA

MCC NEXT
STEP NON
DPA

- MCC-Next Step Non DPA borrowers will receive an MCC along with the opportunity for a Next Step interest rate.
- The MCC rate is 45% for Next Step Non DPA.
- MCC is good for the “Life of the Loan” equal to 45% of the mortgage interest paid in a year.
- All other parameters remain the same as the Stand Alone MCC.

CONDITIONAL COMMITMENT

- **Once MHDC reviews the conditional commitment package, it will either send a deficiency letter to the lender or a conditional commitment.**
- **Conditional commitment (Form #394) will be emailed to the lender.**
- **Once the lender receives the Form #394 they can then close the loan.**
- **If any major changes happen between conditional commitment and closing, the lender should notify MHDC immediately in order to keep the MCC commitment.**

MCC FINAL SUBMISSION PACKAGE

- **After the loan has closed the lender should submit the final loan package to MHDC.**
- **Documents should be sent in the order of the MCC checklist, provided in the reservation portal.**
- **Lenders are to send check or wire the MCC fee (1% of the total loan amount) to MHDC.**

MCC ANNUAL REPORTING

- **At year end, MHDC will send each lender a report of the MCC's that were issued to each borrower.**
- **Each lender that had their borrower use the MCC program will have to report to the IRS the list of borrowers who received the MCC.**
- **Lender will do this by filing IRS form 8329.**

IRS
(ANNUAL REPORTING)

Form **8329**

(Rev. October 2012)
Department of the Treasury
Internal Revenue Service

**Lender's Information Return for
Mortgage Credit Certificates (MCCs)**

For calendar year ending _____

OMB No. 1545-0022

► Information about Form 8329 and its instructions is at www.irs.gov/form8329.

Part I Reporting Authority

Lender's name		Employer identification number
Lender's address (number, street, or P.O. box no., if mail is not delivered to street address)		Room/suite
City, town, or post office, state, and ZIP code		

Part II Issuing Authority

Issuer's name		Employer identification number
Issuer's address (number, street, or P.O. box no., if mail is not delivered to street address)		Room/suite
City, town, or post office, state, and ZIP code		Election date
		Nonissued bond amount

Part III Recipients of Mortgage Credit Certificates (If more than five recipients, see instructions.)

(a) Name(s)	(b) Address Do not use a P.O. box number.	(c) Social Security Number(s)
1		
2		
3		
4		
5		

Part IV Computation of the Total Amount of Mortgage Credit Certificates (Note: Match the information entered on each line with information entered on each corresponding line in Part III.)

(d) Date of Issue of MCC	(e) Certified Indebtedness Amount of Each MCC Issued	(f) Certificate Credit Rate	(g) Amount of MCC Issued (column (e) x column (f))
1			
2			
3			
4			
5			

6 Total amount of MCCs issued. (See instructions.)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than representative of lender) is based on all information of which preparer has any knowledge.

Sign Here

Signature of authorized representative of lender _____ Date _____ Title _____

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name	Firm's EIN		Phone no.	
Firm's address				

For Paperwork Reduction Act Notice, see instructions.

Cat. No. 13002F

Form **8329** (Rev. 10-2012)



QUICK SUMMARY OF PROGRAMS

First Place MRB

- Must be FTHB
- Lower Income/
Purchase Price
Limits
- DPA 10 year
forgivable

Next Step TBA

- Does not have to
be FTHB
- Higher Income/
Purchase Price
Limits
- DPA 10 year
forgivable

Mortgage Credit Certificate

- Must be FTHB
- Lower Income/
Purchase Price
Limits
- 1% MCC fee
- Conditional
Commitment
Required