More Credit for Your Interest

The Mortgage Credit Certificate (MCC) Program helps low- and moderate-income potential homebuyers save money by offering mortgage financing with interest rates that are lower than regular market rates. A Mortgage Credit Certificate (MCC) enables a first-time homebuyer to claim a tax credit on their federal tax return for a portion of mortgage interest paid during a tax year, effectively reducing the first-time homebuyer's cost of borrowing. The MCC offers tax credits at 25%, 35% or 45% or up to a maximum of $2,000.

The following table illustrates the impact a standalone MCC has on a first-time homebuyer's effective monthly mortgage payment during the first year of borrowing. **MCC's without a Next Step option are set at a 25% credit for a maximum of $2,000.**

Stand Alone- 25% MCC Credit Rate

	Without MCC	With MCC
Mortgage Amount	$100,000	$100,000
Mortgage Interest Rate	4.00%	4.00%
Monthly Mortgage Payment	$477.42	$477.42
MCC Rate	N/A	25%
Monthly Credit Amount (First Year Average)	N/A	$82.67
"Effective" Monthly Mortgage Payment	$477.42	$394.75

Pairing an MCC with the Next Step Program

Some borrowers may be able to pair their Next Step Loan with an MCC to save money over time. An MCC allows a homeowner to receive a federal tax credit for a portion of their mortgage interest. Pairing a Next Step loan product with an MCC can put up to $2,000 a year back into your pocket. A borrower must be a first-time homebuyer, meet income and purchase price limits, and meet minimum credit score requirements.

For potential homebuyers with limited savings, the Next Step Program provides the option for Cash Assistance to be used for down payment and closing costs. Loans are provided by Certified Lenders for any eligible property in the State of Missouri. All interest rates and allowable closing costs are set by the Missouri Housing Development Commission with no minimum down payment or minimum loan amounts.

Next Step With Down Payment Assistance – 35% MCC Credit rate

Not only can homebuyers receive lower rates, qualified first-time homebuyers are eligible to receive a 100% forgivable second loan equal to 4% of the total mortgage amount to help with down payments and closing costs. The second loan will be forgiven if the borrower stays in the home and maintains the original loan for ten years. After year five, the second mortgage will begin diminishing by 1/60 every month until year 10 when it will be completely forgiven. **MCC's paired with this option are set at a 35% credit for a maximum of $2,000.**

Next Step Without Down Payment Assistance – 45% MCC Credit rate

Qualified first-time homebuyers may opt to use the Next Step Program without down payment assistance to save even more money by lowering their initial interest rates. Typically, these loans are .25% to .50% below the rates offered with Down Payment Assistance. Non-Down Payment Assistance Loans are best for buyers who have adequate funds to pay down payment and closing costs who are looking to save more money over time. **MCC's paired with this option are set at a 45% credit for a maximum of $2,000.**

Eligible Loans

- Initial purchase loans
- FHA, VA, or USDA-Rural Development
- FNMA HFA Preferred Conventional or Freddie Mac HFA Advantage Conventional
- 30-year loans
- Refinanced mortgage loans are not eligible. Exceptions are construction-to-permanent loans and bridge loans with an initial term of less than 24 months.

Talk to a certified lender to help you decide the best loan type for you.

Eligible Borrowers

If pairing MCC with Next Step program loan, eligible borrowers must meet credit score and debt-to-income ratio thresholds. All borrowers using the MCC must be within eligible household income ranges. Minimum eligibility requirements include:

- First-time homebuyer or qualified veteran*
- Minimum credit score of 640 (subject to change)**
- Debt-to-income ratio of 45% or less for FHA, VA, and USDA-RD (up to 50% DTI is allowable with a credit score of 680 or above for these loans)**
- Debt-to-income ratios up to 50% or less for Freddie Mac and Fannie Mae HFA loan programs**
- The total gross annual household income must be within the established limits (vary by area)
- Loans are subject to federal compliance requirements and may have minimum credit scores greater than 640—lenders reserve the right to be more restrictive

Total gross annual household income is calculated using all sources of income for all borrowers and household members living, or intending to live in the home including, but not limited to wages, overtime, bonuses, child support, alimony, commissions; and earnings from a second job; business and investments.

Eligible Properties

The purchase price of a home financed through the program cannot exceed the established limits for Missouri properties. Eligible properties include:

- Homes within the purchase price limits (see website for details)
- Single-Family Detached
- Qualified Owner-Occupied one- or two-unit duplexes
- Semi-Detached
- Condominiums
- Town Homes
- Doublewide mobile homes, modular or manufactured housing attached to a permanent poured foundation

Rates, Fees, and Requirements

- Interest rates may vary. Talk to a certified lender to find out current interest rates and closing costs and fees
- Interest rates are fixed for the life of the loan
- Homebuyer must occupy the home within 60 days of closing as a primary residence
- Loans made in this program may be subject to recapture tax provisions under federal law
- No junk fees are allowed
- Lender may charge standard closing fees

What's next?

Interested borrowers must contact a **Certified Lender** to apply for the loan. When you visit the lender to make your loan application, it is important that you have the following information with you:

- List of all outstanding debts and credit cards, including name and address of the company, account numbers, unpaid balances, and monthly payment amounts
- Name and address of employer(s)
- Copy of your most recent pay stub(s)
- Copies of divorce decrees, if applicable, and any other documents relating to circumstances which affect your financial status

***Exceptions**:*

Homebuyers do not have to be first-time buyers if they purchase homes in **federally-targeted census tracks.** Consult your lender for specific locations of targeted areas. Generally, loans originated in targeted areas receive priority for the lowest First Place Home Loan rate that has been offered by MHDC in the last 12 months.

Qualified veterans do not have to be first-time homebuyers. A qualified veteran is any veteran who served on active duty, was <u>not</u> dishonorably discharged, and has <u>not</u> previously obtained a mortgage loan financed by tax-exempt mortgage revenue bond proceeds under the qualified Veterans exception.

First time homebuyers are defined as those persons who have not owned a home or had an ownership interest in a primary residence for the past three years.

Please direct all questions about your loan application to the Certified Lender.

**Mortgage Credit Certificates not paired with the Next Step program loans must only meet any credit score or debt-to-income ratio requirements set by the lender, not by MHDC.