



WASHINGTON STATE
HOUSING FINANCE
COMMISSION

Karen Miller
Chair

Mr. Kim Herman
Executive Director

February 2, 2009

Dear Mortgage Lender:

Thank you for your interest in the Washington State Housing Finance Commission's (the Commission) Homeownership programs. We invite your mortgage lending institution to join us in helping homebuyers in Washington State achieve the dream of homeownership. Please find the attached Participant Lender Agreement for the Mortgage Credit Certificate Program (MCC) for your review.

The MCC Program was authorized by Congress in the 1984 Tax Reform Act as a means of providing housing assistance to low- and moderate-income homebuyers. A qualified homebuyer using the MCC is able to claim up to 20% of annual mortgage interest paid as a federal income tax credit. The feasibility of the MCC Program and the degree to which it can provide housing assistance is totally dependent upon the extent to which homebuyers have federal tax liability which can be offset by the MCC tax credit. Typically, higher income homebuyers with few deductions or credits are generally the best able to use the MCC tax credit as a form of housing assistance.

All loan originators are eligible to offer MCCs to their borrowers. The lender approving and funding the loan is required to sign the MCC Participant Lender Agreement prior to offering the MCC Program to customers. This Agreement details the Participant Lender's responsibilities, including reports provided to the IRS.

To read detailed guidelines regarding the MCC program, please feel free to review our complete program manual at <http://www.wshfc.org/sf/downloads.html>.

If you are interested in participation, please send two completed copies of the Participant Lender Agreement and annual participation fee in the amount of \$500 payable to the Washington State Housing Finance Commission to:

Washington State Housing Finance Commission
ATTN: Lisa DeBrock, Homeownership Division
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

Please contact Lisa DeBrock, in the Homeownership Division at lisa.debrock@wshfc.org or (206) 287-4461 with any questions you may have regarding the MCC Program.

Upon receipt of your completed agreement and participation fee, we will then send back to you a fully executed copy for your records.

I look forward to your participation in the MCC program.

Sincerely,

Lisa DeBrock

Lisa DeBrock
Manager, Homeownership Division

1000 Second Avenue, Suite 2700, Seattle, WA 98104-1046
tel 206.464.7139 800.767.HOME fax 206.587.5113 www.wshfc.org

**MORTGAGE CREDIT CERTIFICATE PROGRAM
PARTICIPANT LENDER AGREEMENT**

THIS AGREEMENT made and entered into as of the _____ day of _____ 20____, by and between the Washington State Housing Finance Commission, a public body corporate and politic and an instrumentality of the State of Washington (hereinafter referred to as the "Commission"), and _____ (hereinafter referred to as the "Participant Lender").

WITNESSETH:

WHEREAS, Section 25 of the Internal Revenue Code of 1986, as amended (the "Code"), permits the Commission to elect to exchange all or any part of its authority to issue qualified tax-exempt, private activity bonds for authority to issue Mortgage Credit Certificates ("MCCs") as a means of assisting qualified individuals with the acquisition, rehabilitation or improvement of single-family housing; and

WHEREAS, by resolution adopted January 22, 2009, the Commission has elected not to issue up to \$80,000,000 of qualified private activity bonds during the calendar year 2009 and has established the MCC Program; and

WHEREAS, the Participant Lender wishes to participate in the MCC Program administered by the Commission in connection with financing it will make available for the acquisition of new and existing single family housing.

NOW, THEREFORE, in consideration of the promises set forth herein, the parties agree as follows:

1. The Commission hereby appoints the Participant Lender as its agent for receipt and processing of applications for MCCs under the MCC Program.
2. The Participant Lender will make information regarding the MCC Program available to potential applicants. The Participant Lender will process and review the application of any potential applicant in order to determine eligibility for the MCC Program.
3. The Participant Lender will obtain from the applicant all documents and information required for the application for and receipt of an MCC as directed by the Commission.
4. The Participant Lender will perform all investigation and verification that it would normally perform for underwriting financing not provided in connection with an MCC.

5. The Participant Lender will conduct such reasonable investigation as is necessary to certify that the applicant has satisfied all requirements of the MCC Program, including those imposed by temporary and permanent regulations issued pursuant to the Internal Revenue Code and Commission eligibility requirements.
6. The Participant Lender warrants that it is familiar with the Internal Revenue Code and all temporary and permanent regulations issued pursuant thereto applicable to the MCC Program as well as all provisions of state law applicable to the MCC Program established by the Commission. The Participant Lender hereby agrees to comply with all provisions of the Internal Revenue Code, state law, and applicable regulations and the MCC Program Manual currently in effect or that may become effective in the future. The Commission may amend the MCC Program Manual without prior notice to or the consent of the Participant Lender as necessary to comply with the IRS Code provisions governing MCCs and the MCC Program.
7. The Participant Lender hereby agrees to comply with all data and record retention and all reporting requirements applicable to the MCC Program which are required by the Internal Revenue Code, all temporary and permanent regulations, state law, and the Commission's MCC Program Manual currently in effect or that may become effective in the future.
8. The Participant Lender hereby agrees that the Commission and its agents have the authority to examine and inspect all books and records in Participant Lender's possession relating to any MCC and the MCC Program. The Participant Lender hereby agrees to grant the Commission and its agents access to such books and records during normal business hours upon the Commission's request.
9. The Participant Lender will charge a potential applicant applying for an MCC only those reasonable fees for processing of the financing as would be charged to a potential applicant applying for financing not provided in connection with an MCC.
10. The Participant Lender hereby agrees to complete training as required and provided by the Commission for the receipt and processing of MCCs under the MCC Program.
11. The Participant Lender hereby agrees that it will immediately forward to the Commission all information which it may receive during the life of the mortgage loan which tends to indicate that the MCC holder may have made a misrepresentation in applying for an MCC, or that may affect the MCC holder's continued eligibility for an MCC.
12. The Participant Lender hereby agrees to pay the annual fee when due as long as this Agreement is in effect.
13. This Agreement shall remain in full force and effect until terminated. The Participant Lender may terminate this Agreement, without cause, upon sixty (60) days written notice to the Commission. Further, the Commission may immediately terminate this

Agreement and prohibit the Participant Lender from participation in the MCC Program upon the Participant Lender's failure to comply with the terms and conditions of this Agreement and upon written notice from the Commission. No amendment to this Agreement shall be effective unless in writing and signed by both parties hereto.

14. The Participant Lender understands that, under the MCC Program, the Commission may have \$100,000,000 of MCC authority and that, other than as set forth in the Commission's MCC Program Manual, it shall be allocated by the Commission on a first-come, first-served basis among all Participant Lenders and prospective applicants.

15. The Participant Lender hereby agrees that repayment of any loan made in conjunction with the MCC Program is the responsibility of the MCC holder and payment of such loan does not constitute an indebtedness of the Commission or a charge against its general credit or other assets or the general credit or other assets of the State of Washington.

16. The Participant Lender will indemnify and hold harmless the Commission, and its members, officers, employees and agents from and against any and all claims, causes of action, loss, damages, costs and expenses (including attorney's fees), judgments (or appeals thereof), fines, penalties, and liability of any nature whatsoever that may be related to or arise out of any failure on the part of the Participant Lender to perform its services, duties and obligations under the terms and provisions of this MCC Program Manual, notwithstanding knowledge, act, or failure to act by the Commission, other than an act or failure to act which prevents the Participant Lender from performing such services, duties and obligations.

THIS AGREEMENT is entered into as of the day and year written above.

(Participant Lender)

**Washington State Housing
Finance Commission**

By: _____
Its: _____

By: _____
Its: _____