The MCC Program

MORTGAGE CREDIT CERTIFICATE PROGRAM

Tax Credit for Homebuyers

WASHINGTON STATE
HOUSING FINANCE COMMISSION

Opening doors to a better life

Q: WHAT IS A MORTGAGE CREDIT CERTIFICATE?

A: A Mortgage Credit Certificate is a Federal Tax Credit allowing you to claim up to 20% of the annual mortgage interest paid.

It is very important to consult with a tax professional regarding how the MCC program might benefit your tax situation.

MCC:

MCCs are available with fixed- or adjustable-rate mortgages such as conventional conforming (i.e., Fannie Mae or Freddie Mac saleable), or FHA, VA, and Rural Development mortgages. The Commission's House Key State Bond Program is not available for use with the MCC Program.

Your lender will establish all underwriting criteria, including interest rate, down payment requirement, term, fees, points, and closing costs.

Your lender will submit your MCC loan application and notify you as to whether your application is accepted.

The non-refundable applicable MCC fee is collected at closing by the Participant Lender. Should the loan cancel or be denied for any reason, none of the fee will be returned.

Applications are accepted on a first-come, first-served basis by a statewide network of lenders. (See our list of participating lenders on our website.)

Important Information

The tax credit provided by the Mortgage Credit Certificate (MCC) Program helps you increase your disposable income to qualify for a loan and meet mortgage obligations. The MCC is valid for the life of your loan as long as you live in the home.

A qualified homebuyer using an MCC is able to claim up to 20% of annual mortgage interest paid as a federal income tax credit. The remaining mortgage interest (80%) continues to qualify as an itemized deduction. For example, if you take out a $200,000 mortgage at 6% interest, you will pay $12,000 in interest the first year. Twenty percent of this amount, or $2,400, can be used to directly reduce your federal income tax liability. The remaining mortgage interest (80%) continues to qualify as an itemized deduction. The MCC provides you with a dollar-for-dollar reduction of your federal income taxes! Unused credit can be carried forward up to three years.

To take advantage of the MCC in the above example, you can file an amended W-4 with your employer, reduce your tax withholdings, and increase your income by $200 per month ($2,400 / 12). You can use this tax savings to help qualify for your loan or to qualify for a larger mortgage loan amount.

MCCs are NOT mortgages. They are tax credits that put extra cash in your pocket each month, so that you can more easily afford a house payment. That means fewer tax dollars will be withheld from your regular paycheck, increasing your take-home pay.

The feasibility of the MCC Program and the degree to which it can provide housing assistance is totally dependent upon the extent to which you 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.

The amount of the credit will decrease over the life of the loan as the principle is paid down.

Q: HOW DOES THE MCC PROGRAM WORK?

A: A Tax Credit is more valuable than a deduction and works by increasing a homebuyer's take home pay.

Value of a Tax Credit vs. Tax Deduction*

	WITH MCC TAX CREDIT	WITHOUT MCC TAX CREDIT
Total Income (married, joint filing)	$60,000	$60,000
Standard Deduction	(11,600)	(0)
Itemized Interest	(0)	(12,000)
Exemptions (2)	(7,400)	(7,400)
Total Taxable Income	$41,000	$40,600
Federal Income Tax Liability	5,296	$5,236
MCC Credit	(2,400)	(0)
Taxes Paid	$ 2,896	$ 5,236

$200,000 mortgage x 6% interest = $12,000 annual interest

$12,000 times 20% credit = $2,400

*This illustration is simplified for example purposes only. Actual figures may vary, and many other considerations may impact a person's actual tax debt.

Eligibility Requirements:

As with any program, there are qualifying rules and regulations. MCC Eligibility requirements include:

New loans only

The MCC is available with new purchase loans only. Refinances are not accepted, unless you are replacing some type of short-term bridge financing with a term of 24 months or less.

Income Limits

Borrowers must meet the income limits listed in this brochure.

Acquisition Cost Limits

Borrowers must meet the property acquisition cost limits listed in this brochure.

Eligible Properties

New or existing single-family dwelling units located in Washington State, including stock held by a tenant shareholder in a cooperative housing cooperation, manufactured housing (permanently affixed or on leased land), and homes located on Native American trust land, located in both Targeted Areas and Non-Targeted Areas. Please check the Commission's website Targeted Areas page to see if the property is in a Targeted Area.

Note: Not all counties have Targeted Areas.

Business Use Limits

No more than 15% of the residence may be used for trade or business purposes.

Owner Occupancy

The MCC is valid for the life of the loan, so long as you remain the owner-occupant of the residence.

Homebuyer Education

You must complete a Commission-sponsored homebuyer education course providing you with the steps to buying your home.

Recapture Tax

A recapture tax may apply only in the event that you sell your home in the first nine years, and your income has increased significantly, and you have a substantial gain on the sale. IRS Form 8828 explains how the tax is calculated.

MCC Key Features

- » As a tax credit, and not a mortgage, the Mortgage Credit Certificate allows you to increase your take-home pay since fewer tax dollars are withheld from your paycheck.
- » MCC provides you a dollar-for-dollar reduction of your federal income taxes.
- » MCC is valid for the life of your loan for as long as you live in the house.
- » MCC can be used with the Commission's Home Advantage First Mortgage and Down Payment Assistance programs*
- » MCC's are available with fixed or adjustable rate conventional conforming (i.e., Fannie Mae or Freddie Mac saleable), FHA, VA, Rural Development mortgages.

MCC Participating Lenders

You may seek financing from any lender that has a signed agreement with us. Those approved for the MCC program will be listed on our website or you may contact us at 800-767-HOME (4663).

*Most restrictive guidelines apply

Please refer to the website for a list of eligible lenders or call us at 1-800-767-HOME.

Fee

The non-refundable applicable MCC fee is collected at closing by the Participant Lender. Should the loan cancel or be denied for any reason, none of the fee will be returned.

Refinancing

If you choose to refinance an existing MCC-assisted mortgage, your original MCC becomes null and void. You must obtain a reissuance of the original MCC in order to continue to qualify for the tax credit. The MCC is not assumable, but may be reissued should the MCC holder refinance the original mortgage loan.

Income and Acquisition Cost Limits

Income Limits

Maximum annual household income limits (Effective 05/16/2014):

COUNTY	NON-TARGETED		TARGETED	
	1-2 PERSONS	3+ PERSONS	1-2 PERSONS	3+ PERSONS
Island/Jefferson/ Kitsap	$ 70,000	$ 80,000	$ 70,000	$ 80,000
Skagit/Thurston/Whatcom	$ 70,000	$ 80,000	$ 70,000	$ 80,000
Clark/Pierce	$ 80,000	$ 90,000	$ 80,000	$ 90,000
King/Snohomish	$ 90,000	$ 97,000	$ 90,000	$ 97,000
San Juan	$ 75,000	$ 90,000	N/A	N / A
All other counties	$ 65,000	$ 75,000	$ 80,000	$ 85,000

Acquisition Costs Limits

Maximum acquisition cost limits of a single-family residence must not exceed the following (Effective 05/2016):

COUNTY	NON-TARGETED	TARGETED
Clark	$ 330,000	$ 360,000
Island/Jefferson	$ 300,000	$ 360,000
Pierce/Snohomish	$ 370,000	$ 395,000
King/San Juan	$ 450,000	$ 475,000
Kitsap	$ 285,000	$ 335,000
Whatcom	$ 285,000	$ 335,000
Skagit	$ 285,000	N/A
All other counties	$ 235,000	$ 285,000

Please refer to the website for the most current information or call us at 1-800-767-HOME.

www.wshfc.org

For more information about the Commission and its work, visit www.wshfc.org or call 206-464-7139 or 1-800-767-HOME (4663) toll free in Washington State.

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About Us

WASHINGTON STATE HOUSING FINANCE COMMISSION

Opening doors to a better life

The Washington State Housing Finance Commission is a self-supporting agency that provides below-market financing to buy, build or preserve affordable housing and nonprofit capital facilities. The Commission builds partnerships with the private sector to raise capital needed to further these social and economic objectives at no cost to the taxpayers of Washington State.