



Mortgage Credit Certificate Program Information Guide

The Louisiana Housing Corporation (“LHC”) Mortgage Credit Certificate Program (the "Program") helps make ownership of new or existing homes more affordable for individuals and families of very low to moderate income in the State of Louisiana. A Mortgage Credit Certificate (an "MCC") increases a family's disposable income by reducing its federal income tax obligations. This tax savings provides a family with more available income to qualify for a loan and meet mortgage payment requirements. In order to participate in the Program, homebuyers must meet certain eligibility requirements.

ELIGIBLE PARTICIPANTS

In general, participants seeking an MCC must be a first-time homebuyer, which means that the borrower has not owned a principal residence in the past three years. Certain exceptions exist for residences located in designated Targeted areas and for applicants who are “qualified veterans”.

INCOME LIMITS AND ACQUISITION COST* LIMITATIONS

See Exhibit T, Maximum Permissible Acquisition Cost and Exhibit U, Maximum Permissible Family Income Limits. These limits may be modified annually. These exhibits can be found at <http://www.lhc.la.gov/page/MCC>.

ELIGIBLE PROPERTY

New or existing single family houses, townhomes, condominiums and manufactured housing are eligible. Duplexes (2 unit), triplexes (3 unit), fourplexes (4 unit), and shares in housing cooperatives are not eligible for the program. The cost of the residence must not exceed the maximum home purchase price limit outlined in Exhibit T. A Residence does not include rental houses or vacation homes.

Manufactured Homes. A manufactured home is a structure that is double wide or greater and designed to be used as a dwelling and connected to the required utilities, including plumbing, heating, air conditioning and electrical systems contained therein and must meet the HUD minimum standards set forth in Title 24 parts 3280, 3282 and 42 U.S.C. 5401 et seq. A manufactured home must have been constructed after June 21, 1978 and be permanently affixed to the land which will be owned by the Applicant and subject to the mortgage loan that is associated with the MCC. Recreational vehicles, campers and other such vehicles are ineligible.

Financing Terms. The mortgage loan must be financed from sources other than tax-exempt mortgage bonds or tax-exempt veterans' mortgage bonds. The mortgage may be a conventional, FHA, VA or USDA-RD loan and at prevailing market rates. The interest payable under the loan must not be paid to a person who is related to the borrower.

PROGRAM DESCRIPTION

General Information. An MCC is a tax credit that will reduce the federal income taxes of qualified buyers purchasing a qualified residence. As a result, the MCC has the effect of reducing your mortgage payments. Applications must be submitted to LHC prior to closing the loan.

Benefit Amount. The size of the annual tax credit will be **40%** of the annual interest paid on the mortgage loan. However, the maximum amount of the tax credit shall not exceed \$2,000 per year. The credit cannot be larger than the annual federal income tax liability after all other credits and deductions have been taken into account. MCC credits in excess of the current year tax liability may, however, be carried forward for use in the subsequent three years. Example below:

Mortgage Amount:	\$100,000
Interest Rate:	5 percent
Monthly Interest*	\$417
Total Interest Paid First Year:	\$5,000
Mortgage Credit Rate	<u>x .40</u>
	\$2,000

Assumption. The MCC can be transferred only upon issuance of a new certificate by LHC. The person assuming the loan will have to qualify just as a new borrower would be required to qualify under the Program

Length of Benefit. Each year, the mortgage tax credit will be calculated on the basis of 40% of the total interest paid on the mortgage loan that year. The MCC will be in effect for the life of the mortgage loan, so long as the residence remains the participant's principal residence.

Recapture of Tax Credit. The MCC will be subject to certain requirements imposed by federal law concerning the recapture of a portion of the mortgage tax credit benefits granted upon the sale of the residence within nine years from the date of purchase. In no event will the recapture tax exceed the lesser of (i) 6.25% of the highest principal balance of the mortgage or (ii) one half of the taxable gain on the sale of the residence.

APPLICATION INFORMATION

Where to Apply?

You may apply for a MCC at any participating lender or you may call LHC for assistance at 1-888-454-2001. You may apply for a MCC through only one participating lender.

Any lender who has completed and filed a Mortgage Credit Certificate Program Participation Agreement with LHC may participate in the Program. If your lender is not a participating Lender, have them contact

LHC for a copy of the Mortgage Credit Certificate Program Participation Agreement. Lenders are not required to participate in the Program.

APPLICATION PROCESS

- At the time of application for an MCC, you will need to supply the Lender with the name of your employer, general credit information such as account numbers for loans, credit cards, and bank accounts.
- After you have filled out and signed the application, the Lender will forward your application to LHC.
- Upon approval of a qualifying application, LHC will issue an MCC Conditional Commitment Letter.
- At loan closing and upon submission of the required Program documents in compliance with the guidelines and an MCC Origination Fee of 1% of your loan amount, the MCC will be issued directly to you.
- Extensions are allowed upon request.
- MCC's cannot be transferred from one lender to another.
- In the event you desire to change lenders, the MCC's application and commitment will be revoked and the application process must start over with the new lender.

FOR FURTHER INFORMATION

Any material misstatement due to negligence on the applicant's part will result in monetary penalty of \$1,000 under Section 6709(a) of the Internal Revenue Code. Furthermore, any material misstatement due to negligence or misstatement due to fraud that is discovered upon issuance of Mortgage Credit Certificate will result in the immediate revocation of MCC, deeming the MCC null and void, without any further action by the Single Family Department @ Louisiana Housing Corporation.

Please direct any inquiries you may have about the Mortgage Credit Certificate Program to Louisiana Housing Corporation. This Guide is a general summary of an extremely complex and technical program. Although we have attempted to ensure the accuracy of this Guide, it is subject to federal regulations and the Program documents, and may be changed without notice. Visit the LHC website for a list of participating lenders: www.lhc.la.gov.