RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY
MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM

Overview

A Mortgage Credit Certificate (MCC) entitles qualified home buyers to reduce the amount of their federal income tax liability for an amount equal to 20% of the mortgage interest paid during the year on their primary mortgage loan. The advantages to the home buyer include:

- The home buyer's federal income tax liability is directly reduced by the amount of the tax credit;
- Home buyers can qualify more easily for their primary mortgage loan-lenders may factor in the tax credit when underwriting the loan application, which may allow the borrower to (i) qualify for a larger loan amount, or (ii) improve the borrower's qualifying debt ratios.

If the amount of the MCC exceeds the homebuyer's tax liability, the unused portion of the credit can be carried forward to the next three years or until used, whichever comes first.

Homebuyer Eligibility Criteria

There are three basic criteria for determining a home buyer's eligibility for the MCC tax credits:

1. The borrower must be a first time Home Buyer defined as a person who has not had an ownership interest in improved-upon residential real property for the previous three (3) years.*
2. The borrower's annual income must fall within the program income limits as follows:

    - Max Income Outside Target Area[1]
        - Household w/ 1-2 persons: $77,500
        - Household w/ 3+ persons: $89,125
    - Max Income Inside Target Area
        - Household w/ 1-2 persons: $93,000
        - Household w/ 3+ persons: $108,500

[1] Target Areas are census tracts designated by the Federal government to encourage investment.

3. The home being purchased must fall within the program purchase price limits as follows:

    - Max Home Purchase Price
        - Outside Target Area: $388,131
        - Inside Target Area: $474,382

*If the home is in a Target Area census tract, then the first-time buyer requirement does not apply, and the income and purchase price limits are higher. There are target area census tracts throughout Riverside County.

The residence purchased in conjunction with an MCC must be the borrower's principal residence and may not be used as a business, rental or vacation home. The home may be a new or re-sale, detached or attached single-family home, condominium unit, a co-op unit, or a manufactured home on a permanent foundation. The home must be located within the City limits of participating cities.

<u>Mortgage Credit Certificate Application Process</u>

The jurisdiction in which the home is located must be a participant in the County MCC program administered by the EDA. The application process is as follows:

1. Borrowers must apply for an MCC through a Participating Lender.
2. The Participating Lender will perform an initial qualification and assist the borrower in completing the MCC submission forms.
3. Buyer makes offer on home and goes into escrow.
4. The Lender then submits the MCC application to the County.
5. The County reviews Borrower and property qualifications and, if they meet the program guidelines, issues a letter of commitment to the Lender.
6. The Commitment Letter must be issued prior to the close of the loan.
7. The loan must close within 60 days of the commitment.
8. Upon loan closing, the Lender submits the MCC Closing Package to the County and the County issues the MCC, with the Lender and borrower each receiving a copy.
9. The borrower may then claim the tax credit on their Federal Income Tax Returns.
10. Borrowers can realize the tax credit annually as a tax refund or adjust their W-4 withholding allowances form to receive the benefit via an increased paycheck.

The following table illustrates how an MCC may increase a borrower’s "effective home buying power":

Effective Home Buying Power With and Without an MCC		
	Without MCC	**With MCC**
First Mortgage Amount	$300,000	$300,000
Mortgage Interest Rate	4%	4%
Monthly Mortgage (Principal & Interest Only)	$1,432	$1,432
MCC Rate	N/A	20%
Monthly Credit Amount	N/A	$200
"Effective" Monthly Mortgage Payment	$1,432	$1,232
Annual Income Needed *	$61,371	$52,800

* Annual Income Needed is based on monthly Principal and Interest (P&I) not exceeding 28% of monthly income.