



CITY OF LOS ANGELES MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM

Submit Application to:
City of Los Angeles Housing Department
Home Ownership Division, Attn: Gloria Ortiz
1200 W. 7th Street, 8th Floor
Los Angeles, CA 90017
(213) 808-8591, FAX (213) 808-8515

MCC-2 TRANSMITTAL AND CHECKLIST

Applicant(s) Last Name: _____

Lending Company Originating Loan: _____

I certify that I have reviewed the enclosed MCC application for accuracy and completeness. I have checked to ensure that each item below is included in this package. I understand that this MCC application will not be processed, nor will a credit be reserved for the buyer, until the City of Los Angeles receives all items below.

(Signature of City-Authorized Lender Representative)

(Fax Number)

This MCC application package contains:

COMMITMENT PHASE

CLOSING PHASE

- _____ Check for **\$150** (certified check, money order, or bank check – **No personal checks**) payable to the City of Los Angeles
 - _____ MCC-3 Application and Affidavit Pages 1 and 2, initialed by Buyer(s), with **NO BLANKS** and including:
 - _____ # of Bedrooms
 - _____ Annual income (not monthly) of each Applicant
 - _____ No empty yes/no boxes
 - _____ Application and Affidavit – Pages 3, 4, and 5 (initialed)
 - _____ Application and Affidavit – Page 6
 - _____ Dated Signature of Buyer(s)
 - _____ Dated Signature of Witness(es)
 - _____ Dated Signature of Lender
 - _____ Application and Affidavit Attachment – MCC-3a, Page 7
 - _____ Dated Signature of Buyer(s)
 - _____ Dated Signature of Lender
 - _____ Income
 - _____ Verification of Employment for each Applicant
 - _____ Current pay-stub for each Applicant (at least 2 months if applicable)
 - _____ Signed Current P&L Statement
 - _____ Tax Returns for each Applicant: Three most recent years
 - _____ **Signed in ink by taxpayer(s), live signatures required**
 - _____ **Dated with current ink by taxpayer(s)**
 - _____ Income Tax Affidavit – MCC-4 (if applicable)
 - _____ Commitment – MCC-5
 - _____ Recapture Tax Notice #1 – MCC-6a
 - _____ Purchase Contract and any counter-offers signed by all parties
 - _____ Copy of Uniform Loan Application form (FNMA Form 1003/FHLMC Form 65) signed by all borrower(s)
 - _____ FHA Title I loan approval letter (if applicable)
- _____ Seller Affidavit - MCC-8
 - _____ Closing Affidavit - MCC-9
 - _____ Recapture Tax Notice #2 MCC-6b
 - _____ Final HUD-1 Certified Copy
 - _____ Assignment/Cancellation/ Commitment Extension Notice - MCC-10 (if needed)

Reserved for City Input Only:
MCC Number: _____
Last Name: _____

MCC-3 APPLICATION AND AFFIDAVIT

Date: _____

Originating Lender: _____ Funding Lender _____

Contact Person: _____ Contact Person: _____

Address: _____ Address: _____

City, Zip: _____ City, Zip: _____

Phone: _____ Fax: _____ Phone: _____ Fax: _____

SUBJECT PROPERTY INFORMATION:

Address: _____ Census Tract: _____

City, State, Zip: _____ # Bedrooms: _____

Seller(s): _____ # of Units: _____

1 Non-targeted Previously Occupied Detached
 Targeted New Attached

MORTGAGE INFORMATION:

FHA VA Conventional Other Govt. Subsidy?

30 Year Fixed? Yes No Yes No

Negative Am? Yes No If yes, Type: _____

2 Buy Down? Yes No
ARM? Yes No

Purchase Price: _____ First Year Interest Rate: _____ %

Loan Amount: _____ Down Payment Amount: _____

APPLICANT INFORMATION AND CURRENT RESIDENCE:

3 Household Size: _____ Number of Wage Earners: _____
Total Household Gross Annual Income: _____

Applicant Number 1 Work Phone: _____ Gross Annual Income: _____

Last: _____ Address: _____ Employer Name: _____

First: _____ City: _____ Employer Address: _____

SSN#: _____ Zip: _____ Employer City: _____

Home Phone: _____ Occupation: _____ Employer Zip: _____

YES	NO	YES	NO
<input type="checkbox"/>	<input type="checkbox"/> Married?	<input type="checkbox"/>	<input type="checkbox"/> Will Occupy?
<input type="checkbox"/>	<input type="checkbox"/> On Title?	<input type="checkbox"/>	<input type="checkbox"/> Verified First-Time Homebuyer?
<input type="checkbox"/>	<input type="checkbox"/> On Note?		

Applicant Number 2

Work Phone: _____ Gross Annual Income: _____
Last: _____ Address: _____ Employer Name: _____
First: _____ City: _____ Employer Address: _____
SSN: _____ Zip: _____ Employer City: _____
Home Phone: _____ Occupation: _____ Employer Zip: _____

YES	NO	YES	NO
<input type="checkbox"/>	<input type="checkbox"/> Married?	<input type="checkbox"/>	<input type="checkbox"/> Will Occupy?
<input type="checkbox"/>	<input type="checkbox"/> On Title?	<input type="checkbox"/>	<input type="checkbox"/> Verified First-Time Homebuyer?
<input type="checkbox"/>	<input type="checkbox"/> On Note?		

Applicant Number 3

Work Phone: _____ Gross Annual Income: _____
Last: _____ Address: _____ Employer Name: _____
First: _____ City: _____ Employer Address: _____
SSN: _____ Zip: _____ Employer City: _____
Home Phone: _____ Occupation: _____ Employer Zip: _____

YES	NO	YES	NO
<input type="checkbox"/>	<input type="checkbox"/> Married?	<input type="checkbox"/>	<input type="checkbox"/> Will Occupy?
<input type="checkbox"/>	<input type="checkbox"/> On Title?	<input type="checkbox"/>	<input type="checkbox"/> Verified First-Time Homebuyer?
<input type="checkbox"/>	<input type="checkbox"/> On Note?		

If needed, attach copies of this form for additional borrowers.

Residence address(es) and Landlord(s) if less than 3 years at current residence:

No.:	From:	To:	Street:	City:	Zip:	Landlord Name:	Phone:
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

For Each Applicant: I have reviewed this completed page, and agree with the information contained on it. _____/_____/_____ Date, Sign or Initial
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**SECTION II
TO THE HOMEBUYER:**

Hello! Thank you for your application to the City of Los Angeles' Mortgage Credit Certificate (MCC) Program. Completion of the application process will result in your receiving a special tax credit of up to

15% or 20% (check one and complete Attachment 1 of Affidavit)

of the mortgage interest you pay each year on your home. It is most important that you take time to read and sign each page of the application before your lender forwards it to our office. You will be certifying that you understand the MCC Program eligibility guidelines, and believe that you and the purchase price of your residence meet those guidelines. Your lender will also give you an Applicant Information Package which should answer most of your questions about the program. If you have any additional questions, please feel free to call the City of Los Angeles MCC Program office at (213) 808-8591.

By signing this document you will be certifying that (1) You have made an accurate representation of your household composition; (2) You are able to verify your first time home buyer status (unless purchasing in a targeted census tract, in which case verification is unnecessary); (3) You intend to move in within 60 days of loan closing and occupy the property as your principal residence; (4) If the property is newly constructed, it will not be occupied prior to loan closing; (5) You are receiving a first (not an existing) mortgage; (6) You have provided complete and accurate information about your gross annual household income; (7) You have not made any side agreement with the seller which would misrepresent the purchase price; (8) Your first loan is not financed with bond proceeds; (9) No one related to you has an interest as a creditor on the Mortgage Loan; (10) You understand that the MCC is not transferable; and (11) You are applying for the Mortgage Loan through a lender of your choice.

ABOUT THE INCOME REQUIREMENT:

See item 3, on page one. The answer on that line must represent the current gross annual income of your household, and must not exceed the program income limits. Find the applicable limit below, based on your household size, and on whether the property you are purchasing is in a federally targeted census tract.

<u>Non-targeted Census Tract</u>	<u>Targeted Census Tract</u>
1-2 person household: \$78,600	1-2 person household: \$78,600
3+ person household: \$91,700	3+ person household: \$91,700

Income is "annualized," meaning that the current monthly income is multiplied by twelve for a total projected annual amount. Income includes all of the following: monthly gross pay; overtime; part-time employment; bonuses; dividends; interest; royalties; pensions; Veterans compensation; net rental income; alimony; child support; public assistance; sick pay; social security benefits; unemployment compensation; and income derived from trusts, business activities or investments. Income limits only apply during the escrow process; they become irrelevant after the loan closes.

For Each Applicant: I have reviewed this completed page, and agree with the information contained on it.

_____/_____/_____

Date, Sign or Initial

ABOUT THE PURCHASE PRICE REQUIREMENT:

See item 2, on page one. The answer on that line must represent the purchase price that you and the Seller have agreed on, and must not exceed the program purchase price limits. Find the applicable limit below, based on whether the property you are purchasing is a new or previously occupied, and on whether it is in a federally targeted census tract.

<u>Non-targeted Census Tract</u>		<u>Targeted Census Tract</u>	
Existing SFR:	\$457,608	Existing SFR:	\$559,298
New SFR:	\$549,601	New SFR:	\$671,755

The purchase price means the cost of acquiring the residence, excluding usual and reasonable settlement or closing costs. If the buyer agrees to pay a cost usually paid by the seller, that amount must be included in the figure representing the purchase price in item 2, on page one.

MCC AFFIDAVIT

SECTION III

An MCC Applicant is anyone who will go on title **and/or** who will be liable on the mortgage and occupy the Residence.

Each Applicant must make the following certifications.

I, the undersigned, as part of my application for a Mortgage Credit Certificate (“MCC”) from the City of Los Angeles Mortgage Credit Certificate Program (MCC) (the “Program”), and in connection with a purchase of a single family home (the “Residence”) and an application for a mortgage loan (the “Mortgage Loan”) from a lender (the “Lender”) of my choosing, do hereby state that I have carefully reviewed this document. I understand:

(1) I understand and agree that the answers given for items 3, page one, represent those people who I expect to initially share occupancy of the Residence with me.

I understand that my spouse, whether on title or not, is an Applicant for the Program and must sign this Application.

(2) I understand and agree that an “X” placed in the “Non-targeted” category, item 1, page one, means that I certify that I am purchasing a home in a non-targeted census tract, and am therefore a first-time homebuyer, who has not had an ownership interest in a principal residence within the three years immediately preceding the date of this application, and I do not and will not have an ownership interest in a principal residence prior to the date of loan closing. A principal residence includes a single family residence, a condominium, share in a housing cooperative, any manufactured home or mobile home, or occupancy in a 2-4 unit residence owned by me. An ownership interest means ownership by any means, whether outright or partial, including property subject to mortgage or other security interest; it also includes a fee simple ownership interest, a joint ownership interest by joint tenancy in common, or tenancy by the entirety, or a life estate interest. I certify that the answer to item 4 on page two lists all of my places of residence, whether owned or not, for a three year period prior to the date of this application. I further certify that I will submit true and complete copies of my actual signed federal tax returns for the preceding three tax years, or such other written verification that is acceptable to the Program.

(3) I certify that the Residence will be occupied and used as my principal place of residence within sixty (60) days of the date of Mortgage Loan closing. I certify that the Residence will not be used as an investment property, vacation home, or recreational home and that not more than 15% of the area of the residence will be used in a trade or business. I certify that I will notify the Program in writing if the Residence ceases to be my principal residence.

(4) If the Mortgage loan application is for a loan on a newly constructed home I certify that the Residence has not and will not be occupied prior to loan closing.

(5) I certify that the Mortgage Loan is a purchase mortgage, not a replacement for an existing mortgage.

(6) I certify that the answer to item 3, page one, represents my total household gross annual income, and does not exceed the income limits, as explained in Section II above.

(7) I certify that the answer to item 2, page one, represents the total purchase price of the Residence, and does not exceed the Purchase Price Requirement, as explained in Section II above. I further certify that no side deal or agreement, either written or verbal, is presently contemplated for the completion of or addition to this residence unless the estimated cost of such completion and/or addendum is included in the purchase price.

(8) I certify that no portion of the financing of the acquisition of the Residence is or will be provided from the proceeds of a qualified mortgage bond or a qualified Veteran's mortgage bond. No person related to me has, or is expected to have, an interest as a creditor in the Mortgage Loan being acquired for the Residence.

(9) I understand and agree that the MCC is issued to me and that it may **not** be transferred to a future buyer of my house.

(10) I understand and agree that I may seek financing from any Lender of my choosing, and that I am in no way prohibited from seeking financing from any potential Lender, so long as the Lender executes and complies with the terms of the Lender Participation Agreement.

(11) I (We) hereby understand that the Lender is required to report to the City any information obtained through its own experience with me (us) at any time during the life of the Mortgage Loan which indicates that a misrepresentation may have been made by me (us) in applying for an MCC or that may affect my (our) continued eligibility for the MCC, and I (we) hereby consent to the reporting of any such information by the Lender to the City.

For Each Applicant: I have reviewed this completed page, and agree with the information contained on it.
_____/_____/_____ Date, Sign or Initial
_____/_____/_____ Date, Sign or Initial
_____/_____/_____ Date, Sign or Initial

CERTIFICATION OF THE APPLICANT

I acknowledge and understand that this Affidavit, as completed above, will be relied on for determining my eligibility for an MCC. I acknowledge that a material misstatement negligently made by me in this affidavit or in any other connection with my application for an MCC will constitute a federal violation punishable by a fine of \$10,000 and possible criminal penalties imposed by law, and will result in the cancellation or revocation of the Certificate. I acknowledge that any false pretense, statement, or misrepresentation or the fraudulent use of any instrument, facility, article, or other valuable thing or

I certify under penalty of perjury that the foregoing is correct and true.

Signature of Applicant Date

Signature of Applicant Date

Signature of Applicant Date

Witnessed By Date

Witnessed By Date

CERTIFICATION OF THE LENDER

Based on the documents submitted to, or obtained by the Lender, the Lender has no reason to believe that either the Applicant or the Seller of the Residence has made any negligent or fraudulent material misstatements in connection with the Applicant’s application for an MCC, and submits the completed information above as accurate and true to the best of the Lender’s knowledge.

Name and Title of Lender Representative Date

Signature of Lender Representative Date

MCC-3A APPLICATION AND AFFIDAVIT – ATTACHMENT 1

The City of Los Angeles MCC Program offers either a 15% or a 20% credit to Applicants depending on certain requirements. Please make one of the two credit choices. The pools are limited and are available on a first come, first serve basis.

1. 15% MCC credit. The Applicant must meet the following requirements:

The basic Mortgage Credit Certificate Program

2. 20% MCC credit. All the basic MCC requirements above must be met, plus the following:

Purchasing a property within a targeted census tract.

Census Tract #: _____

3. Since the 20% credit is limited, the City advises the Lender and Applicant in all cases to determine the feasibility of using a 15% credit. If the 20% credit is not available, then eligible Applicants will receive, if available, a 15% credit commitment.

I/We have read the requirements for each of the credit categories and checked the appropriate box. I/We understand that the 20% credit is limited and that I/We may have to receive a 15% credit.

Signature of Applicant Date

Signature of Applicant Date

Signature of Applicant Date

CERTIFICATION OF THE LENDER

Based upon reasonable investigation, the Applicant above is eligible for a % credit rate.

We have conducted the necessary underwriting and concluded that this Applicant

will qualify (choose one) for a credit rate of 15% 20%

The applicant was informed of the requirements and the limitation on the available credit.

Name and Title of Lender Representative (Print or Type)

Signature of the City-authorized Lender Representative Date

MCC Number: _____ Last Name: _____

MCC-4 INCOME TAX AFFIDAVIT

To be completed by each Applicant if **not** required by law to fill income tax returns.

_____ 1. I hereby certify that I was not required by law to file a federal income tax return for the following years(s) _____ for the reason(s) stated below:

Note: Only check paragraph two below if applicable. The loan closing must be taking place between January 1 and February 15.

_____ 2. I certify that the closing in connection with which I am seeking an MCC is occurring between January 1 and February 15, and that I have not yet filed my federal income tax return for the prior tax year.

_____ 3. I acknowledge and understand that this Affidavit will be relied upon for purposes of determining my eligibility for an MCC. I acknowledge that a material misstatement negligently made by me in connection with an application for an MCC will constitute a federal violation punishable by a fine of \$10,000, and a material misstatement fraudulently made in this Affidavit or in any other statement made by me in connection with the application for an MCC will constitute a federal violation punishable by a fine, revocation of the Certificate and any other penalty imposed by law. In addition, any material misstatement or false statement which affects my eligibility for an MCC will result in a denial of my application for an MCC, or, if an MCC has been issued prior to the discovery of the false statement, immediate cancellation of the MCC issued.

_____ 4. In addition, I hereby acknowledge and understand that any false pretense, including any false statement or representation, or the fraudulent use of any instrument, facility, article, or other valuable thing or service pursuant to my participation in any City of Los Angeles MCC Program is punishable by imprisonment or by a fine.

I certify under penalty of perjury that the foregoing is correct and true.

Signature of Applicant: _____ Social Security #: _____ Date: _____
Signature of Applicant: _____ Social Security #: _____ Date: _____
Signature of Applicant: _____ Social Security #: _____ Date: _____

OTHER INFORMATION:

_____ Applicants filed tax returns for _____, but cannot locate a copy.
Applicant Initials _____ Year _____

_____ Requested copy of tax returns from IRS for the year _____. (Copy of request attached).
Applicant Initials _____ Year _____

_____ Proof of non-ownership in a primary residence for the year _____.
Lender Initials _____ (Verification of rent or Credit rental rating.)

MCC Number: _____
Last Name: _____

**MCC-5 COMMITMENT
TO BE COMPLETED BY LENDER**

Date: _____

Originating Lender _____
 Company Name _____
 Address _____
 City _____ Zip Code _____
 Contact Person _____ Phone Number _____ Fax Number _____

Funding Lender (if different from above) _____
 Company Name _____
 Address _____
 City _____ Zip Code _____
 Contact Person _____ Phone Number _____ Fax Number _____

Subject Property Address _____
 Street Address _____ City _____ Zip Code _____

Purchase Price: _____ **First Mortgage Loan Amount:** _____ **MCC Credit Amount:** _____

<input type="checkbox"/> Non-targeted	<input type="checkbox"/> Previously Occupied	Verified First-time Homebuyer?	<input type="checkbox"/> Yes
<input type="checkbox"/> Targeted	<input type="checkbox"/> New		<input type="checkbox"/> No

Applicant No.	Last Name:	First Name:	Social Security Number:
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____

Total Gross Annual Income: \$ _____

TO BE COMPLETED BY THE CITY OF LOS ANGELES

The City of Los Angeles MCC Program (City of Los Angeles) has determined the Applicant(s) above to be eligible for a mortgage credit certificate with a 15% or 20% credit rate (check one). This is based on the above description of the home purchase, the corresponding documentation package submitted by the originating lender, and the understanding that the loan transaction is still in escrow. The City of Los Angeles makes this commitment subject to the following conditions:

1. The Applicant and Lender must disclose any material changes that take place between the date of the signing of the Application Affidavit and the date of the signing of the Closing Affidavit. These changes are to be disclosed on the Closing Affidavit. (Material changes include a change in property address, loan amount, purchase price, first-time homebuyer status, or a discovery of substantial change in, or misrepresentation of, the original documentation submitted.)
2. If an extension of this Commitment is needed, it must be requested in advance of the expiration of this document. **The Lender must pay \$25 for a 30-day extension.** Only one extension is permitted. **THIS COMMITMENT EXPIRES ON _____ (date).**
3. If the Commitment expires, the Lender must pay **\$175** and may be required to submit a new income verification package.

 City of Los Angeles MCC Program Date

IF YOU HAVE ANY QUESTIONS, PLEASE CALL THE CITY MCC ADMINISTRATOR AT (213) 805-8591.

MCC Number: _____
Last Name: _____

**MCC-6a RECAPTURE NOTICE #1
INITIAL NOTICE TO MORTGAGOR OF POTENTIAL RECAPTURE TAX**

(The lender, prior to close of escrow, will give a more detailed explanation of the recapture tax, which applicants must sign.)

Notice is hereby given that a Mortgage Credit Certificate, which entitles you to an annual federal tax credit, you may be subject to a special “recapture tax” for federal income tax purposes which would be imposed at the time you sell the residence for which you obtained a Mortgage Credit Certificate.

This potential tax, which is not imposed until you sell your home, is based on the concept that through the Mortgage Credit Certificate, the federal government has enabled you to take a tax credit of the interest you pay on your home mortgage. The amount of the potential recapture tax increases for the first five (5) years that you own the home and thereafter declines.

NO RECAPTURE TAX IS IMPOSED IF YOU HOLD (DO NOT SELL) YOUR HOME FOR A TOTAL OF NINE (9) OR MORE YEARS.

A number of factors determine the amount of recapture tax imposed at the time of the sale of the home. These include:

1. the original principal amount of the home mortgage;
2. the number of complete years that pass before you sell the home;
3. the median family income for your area at the time you bought the home; and
4. your modified adjusted gross income at the time you sell the home.

Generally, if you sell the residence more than nine (9) years after the close of escrow, no recapture liability arises. Also, if you sell the residence during the first nine (9) years after closing but your income does not increase more than 5% per year during that period, you will likely not incur recapture liability. Finally, in no case will recapture liability exceed 50% of your gain from the sale of the residence.

Please sign below to indicate that you have received your copy of the Recapture Notice.

Signature of Applicant Date

Signature of Applicant Date

Signature of Applicant Date

MCC Number: _____
Last Name: _____

**MCC-6b RECAPTURE NOTICE #2
FINAL NOTICE TO MORTGAGOR
INFORMATION REGARDING POTENTIAL RECAPTURE TAX**

Because you have received a Mortgage Credit Certificate (MCC) pursuant to Section 143(m) of the Internal Revenue Code of 1986 (the "Code"), you may, at the time you sell the residence for which you received a Single Family Bond Loan Mortgage Credit Certificate, be subject to a special "recapture tax" for federal income tax purposes. You should consult your tax advisor at the time you sell the residence to determine the amount, if any, of such "recapture tax." The following information will assist you in determining the amount, if any of "recapture tax":

Name of Mortgagor(s): _____

Date of Home Mortgage Closing: _____

Location of Home (address): _____

Principal amount of Mortgage at Closing: _____

ARE YOU SUBJECT TO THE RECAPTURE TAX?

You will be subject to a special recapture tax for the tax year in which you sell or transfer your home **only if you meet all four of the following conditions:**

1. You sell or transfer the home on or before _____ (date) (9 years from the funding date or the date of Mortgage Closing listed above), and
2. You sell or transfer the home at a gain (determined by the IRS form on gain from sale of a single-family residence, whether or not you decide to rollover the gain), and
3. The Home is **not**:
 - a. transferred as a result of death,
 - b. transferred to a former spouse as a result of divorce (in which case the former spouse is treated as if he or she has been the owner from the date of Mortgage Closing), or
 - c. rebuilt from casualty insurance proceeds within two years after its destruction; and
4. Your taxable household income for the year in which you sell your home exceeds the following Income Threshold.

TABLE I

This income chart is applicable for your home which **is not** in a targeted census tract:

INCOME THRESHOLD
Number of members of the Mortgagor’s Household at the time of resale of the Home

	<u>1 or 2 persons</u>	<u>3 or more persons</u>
Current Threshold Sale before:	\$78,600	\$91,700
1 year after Mortgage Closing:	\$82,530	\$96,285
1 or more years, but less than 2 years after Mortgage Closing:	\$86,657	\$101,099
2 or more years, but less than 3 years after Mortgage Closing:	\$90,989	\$106,154
3 or more years, but less than 4 years after Mortgage Closing:	\$95,539	\$111,462
4 or more years, but less than 5 years after Mortgage Closing:	\$100,316	\$117,035
5 or more years, but less than 6 years after Mortgage Closing:	\$105,332	\$122,887
6 or more years, but less than 7 years after Mortgage Closing:	\$110,598	\$129,031
7 or more years, but less than 8 years after Mortgage Closing:	\$116,128	\$135,483
8 or more years, but less than 9 years after Mortgage Closing:	\$121,934	\$142,257

Your taxable income is the “adjusted gross income” from your tax return for the year in which you sell your home plus any tax exempt bond interest income you may have. (However, do not include any gain from the sale of the home itself in determining whether you are above the Income Threshold listed above.)

Table II

This income chart is applicable for your home which is in a targeted census tract:

INCOME THRESHOLD
Number of members of the Mortgagor’s household at the time of resale of the home

	<u>1 or 2 persons</u>	<u>3 or more persons</u>
Current Threshold Sale before:	\$78,600	\$91,700
1 year after Mortgage Closing:	\$82,530	\$96,285
1 or more years, but less than 2 years after Mortgage Closing:	\$86,657	\$101,099
2 or more years, but less than 3 years after Mortgage Closing:	\$90,989	\$106,154
3 or more years, but less than 4 years after Mortgage Closing:	\$95,539	\$111,462
4 or more years, but less than 5 years after Mortgage Closing:	\$100,316	\$117,035
5 or more years, but less than 6 years after Mortgage Closing:	\$105,332	\$122,887
6 or more years, but less than 7 years after Mortgage Closing:	\$110,598	\$129,031
7 or more years, but less than 8 years after Mortgage Closing:	\$116,128	\$135,483
8 or more years, but less than 9 years after Mortgage Closing:	\$121,934	\$142,257

Your taxable income is the “adjusted gross income” from your tax return for the year in which you sell your home plus any tax exempt bond interest income you may have. (However, do not include any gain from the sale of the home itself in determining whether you are above the Income Threshold listed above.)

HOW MUCH RECAPTURE TAX WOULD YOU OWE?

If you meet all four of the above conditions, then you will be subject to the recapture tax.

The amount of the recapture tax is the lesser of:

- (calculated under Steps 1 and 2 below), The maximum potential recapture tax
- home (see page 3). One-half of your gain from the sale of the

The recapture tax will never exceed .0625 (6 ¼ %) of the principal loan amount at origination. Several factors can significantly decrease that maximum, as illustrated in the steps below. For the formula on which these steps are based, see “*Note” at the end of this section.

Maximum Potential Recapture Tax

The maximum potential recapture tax (MPRT) you will owe is calculated in two steps:

STEP 1

See the line on the left which best describes the date of transfer of the home. The corresponding line on the right gives applicable maximum potential recapture tax (MPRT).

**TABLE III
MPRT (MAXIMUM POTENTIAL RECAPTURE TAX)**

Percentage	Dollar Amount	
Date of Sale or Transfer of Home (or Prepayment of Mortgage if Earlier)		of Original Mortgage
		Based on Original Mortgage of:
		<input style="width: 150px; height: 20px;" type="text"/>
1 year after Mortgage Closing:		1.25%
1 or more years, but less than 2 years after Mortgage Closing:		2.50%
2 or more years, but less than 3 years after Mortgage Closing:		3.75%
3 or more years, but less than 4 years after Mortgage Closing:		5.00%
4 or more years, but less than 5 years after Mortgage Closing:		6.25%
5 or more years, but less than 6 years after Mortgage Closing:		5.00%
6 or more years, but less than 7 years after Mortgage Closing:		3.75%
7 or more years, but less than 8 years after Mortgage Closing:		2.50%
8 or more years, but less than 9 years after Mortgage Closing:		1.25%

Example: If the home was sold between 1 and 2 years after Mortgage Closing, use 2.5% of original mortgage. Thus, if original mortgage was \$100,000, the maximum potential recapture tax would be \$2,500 (\$100,000 x 2.5%).

POSSIBLE REDUCTION OF RECAPTURE TAX

Determine whether your taxable income, in the year in which you sell the home, exceeds the Income Threshold shown in Table I, and if it does, whether such excess is more or less than \$5,000 above the Income Threshold shown in Table I.

Example: If you have a 2-person household at the time of sale and your income is \$53,000, and the Income Threshold in Table I for that year is \$50,000, your “excess income” is \$3,000:

Actual Household Income	\$53,000	
- Income Limit (From Table I)		<u>\$50,000</u>
Excess income above Income Threshold		\$ 3,000

You will be in one of three situations:

- (i) Your income does not exceed the Income Threshold:
 - You are not subject to any recapture tax at all.
- (ii) Your income is more than \$5,000 above the Income Threshold:
 - There is no reduction in the maximum potential recapture tax calculated in Step I.
- (iii) Your Income is less than \$5,000 above the Income Threshold:
 - Your maximum potential recapture tax will be reduced pro rata, as shown below:

If your excess income is less than \$5,000 above the Income Threshold, the revised maximum potential recapture tax would be:

$$\text{Revised Maximum Potential Recapture Tax} = \frac{\text{Excess Income (From Step 2)}}{\$5,000} \times \text{MPRT (from Table II)}$$

$$\text{Example: } \frac{\text{Actual Income} - \text{Income Threshold}}{\$5,000} = \frac{\$3,000}{\$5,000} = 60\% \times 2,500 \text{ MPRT (from Table II)}$$

$$= \$1,500 \text{ Revised Maximum Potential Recapture Tax}$$

Thus, the maximum potential recapture tax of \$2,500 determined in Step 1 would be reduced to \$1,500 due to the calculation in Step 2.

For Each Applicant: Please sign below to indicate that you have received your copy of the Recapture Notice #2.

_____ / _____ / _____
Date, Sign or Initial

*Note: These instructions are meant to provide a step by step process for figuring a potential recapture tax. The legislative formula on which these steps are based is:

$$PRT = 6.25\% \times P \times H \times \frac{M - (IL \times 1.05^Y)}{5000}$$

PRT = Potential Recapture Tax **M = mortgagor’s adjusted gross income at time of sale**
 P = original principal amount IL = original income limit
 H = holding period percentage Y = number of complete years mortgagor owned home

*Note: If “M – (IL x 1.05^Y)” is greater than \$5,000, that amount is treated as equal to \$5,000. This legislative formula is for your information only. Do not use this to calculate your recapture tax.

Gain on Sale of Home:

Finally, compare the revised maximum potential recapture tax (from Step 2) to one-half of your actual gain from the sale of the home. (Your “Gain” is generally defined by the IRS to be the resale price less: (i) sale costs, (ii) your original purchase price, and (iii) your cost of capital improvements. This is true whether or not you roll over the gain.) You pay whichever is less.

Revised Maximum Potential Recapture Tax =	\$1,500	
Gain from Sale of Home		
Sale Price	\$150,000	
- Closing Costs	<u>\$ 8,000</u>	
	\$142,000	
- Basis in Home	\$130,000	(\$120,000 initial price plus
<u>Gain</u>	<u>\$ 12,000</u>	\$ 10,000 cost of improvements)
x ½	\$ 6,000	

Lesser of \$1,500 and \$6,000 is \$1,500; so \$1,500 is the Recapture Tax.

Other Factors Affecting the Recapture Tax

All references to the “sale” or “transfer” of the home include any change in your interest in the Home, whether by sale, exchange, gift or some other disposition.

If any person other than you or your spouse is also a mortgagor, each person’s Recapture Tax will be determined separately in accordance with his or her interest in the home.

The Recapture Tax may also be somewhat reduced if you prepay the mortgage in whole (e.g. refinance) and do not sell the home until a subsequent year.

The Recapture Notice is provided by the City of Los Angeles MCC Program (Issuer) pursuant to Section 143(m)(7) of the Code.

For Each Applicant: Please sign below to indicate that you have received your copy of the Recapture Notice #2.

_____ / _____ / _____

Date, Sign or Initial

MCC-8 SELLER AFFIDAVIT

I, as Seller of property at _____
Address City Zip Code

understand that the Buyer, _____
is applying for a Mortgage Credit Certificate from the City of Los Angeles MCC Program.

The purchase price is \$ _____, excluding all settlement costs, title and transfer costs, title insurance, survey fees, credit reference fees, legal fees, appraisal fees, and points paid by the Buyer.

Outside of escrow I have received no money from the Buyer and have entered into no contract or agreement with the Buyer regarding the disposition of this property.

The property is a completed unit, suitable for occupancy. The property is a (check type of unit):

- single family home
- unit in a planned unit development
- condominium unit
- manufactured housing
- a duplex property
- a multifamily unit in a building of four or fewer units to be owned by the Buyer which is at least five years old.

I acknowledge that any material misstatement negligently or fraudulently made by me in connection with this MCC application is a federal violation punishable by a fine of \$10,000 and revocation of the Certificate, in addition to any criminal penalty imposed by law.

I certify under penalty of perjury that the foregoing is correct and true.

(Type or Print) Name of Seller Date

Current Address

Signature

(Type or Print) Name of Seller Date

Current Address

Signature

MCC Number: _____

Last Name: _____

MCC-9 CLOSING AFFIDAVIT

A complete package should include the following:

- HUD-1 Settlement statement (certified copy)
- Notice to Mortgagor of Maximum Recapture Tax and Method to Compute Tax (MCC-6b)
- Seller Affidavit (MCC-8)
- Closing Affidavit (MCC-9 this form)
- Letter of Assignment, if applicable (MCC-10)

Date of Mortgage Loan Closing: _____
(HUD-1 Date)

Purchase	Loan	MCC
Price: _____	Amount: _____	Credit Amount: _____
		PITI: _____

First Year	<input type="checkbox"/> FHA	<input type="checkbox"/> VA	<input type="checkbox"/> CONV	Negative Amortization?	<input type="checkbox"/> Yes	<input type="checkbox"/> NO
Interest Rate: _____	30 Year Fixed?	<input type="checkbox"/> Yes	<input type="checkbox"/> NO	ARM?	<input type="checkbox"/> Yes	<input type="checkbox"/> NO

<input type="checkbox"/> Non-targeted	<input type="checkbox"/> Previously Occupied	Verified First-time	<input type="checkbox"/> Yes
<input type="checkbox"/> Targeted	<input type="checkbox"/> New	Homebuyer?	<input type="checkbox"/> NO

Applicant Number	Last Name	First Name	Social Security Number
1.	<input type="text"/>	<input type="text"/>	<input type="text"/>
2.	<input type="text"/>	<input type="text"/>	<input type="text"/>
3.	<input type="text"/>	<input type="text"/>	<input type="text"/>
4.	<input type="text"/>	<input type="text"/>	<input type="text"/>

Total Gross Annual Income:

BUYER'S CERTIFICATION:

I acknowledge and understand that this Affidavit will be relied upon for purposes of determining my eligibility for an MCC. I acknowledge and understand that a material misstatement fraudulently made in this Affidavit or in any other statement made by me in connection with an application for an MCC will constitute a federal violation punishable by a fine of \$10,000 and revocation of the Certificate, which will be in addition to any criminal penalty imposed by law. In addition, any false statement which affects my eligibility under Section 25 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder will result in denial of my application for an MCC or, if an MCC has been issued prior to discovery of the false statement, immediate cancellation of the MCC issued. In addition, I hereby acknowledge and understand that any false pretense, including false statement or representation of the fraudulent use of any instrument, facility, article, or other valuable thing or service pursuant to my participation in any MCC Program, is punishable by imprisonment or by a fine.

Signature of Applicant

Date

Signature of Applicant

Date

Signature of Applicant

Date

MCC Number: _____
Last Name: _____

On _____, the Applicant(s) and Lender submitted a MCC Program "Application Affidavit" in reference to the home purchase mortgage loan transaction featured above.

The purpose of this "Closing Affidavit" is for the Lender and Applicant(s) to indicate any changes which took place between the signing of the Application Affidavit and the date of the loan closing regarding the above features. If statement (a) or (b) is true, check appropriate box:

- A. Based upon reasonable investigation, the Lender is aware of no material change in the circumstances upon which it relied in executing the certification in the MCC Application and Affidavit. All statements and certifications contained in the MCC Application and Affidavit remain valid and true.

- B. The following material changes have occurred from that on which the Lender relied in executing the Application.

LENDER'S CERTIFICATION:

Based upon its investigation, the Lender has no reason to believe that either the Applicant or the Seller of the Residence has made any negligent or fraudulent material misstatements in connection with the Applicant's application for an MCC. The Lender hereby agrees that it immediately forward to the City of Los Angeles MCC Program all information obtained by persons responsible for administering the MCC Program during the life of the mortgage loan which indicates that a misrepresentation may have been made in applying for an MCC or that may affect the Applicant's continued eligibility for an MCC, provided that the Lender will only be responsible for reporting information based solely upon the Lender's own experience with the customer and not information derived from other sources.

Signature of Lender Representative

Date

