

CITY OF LOS ANGELES HOUSING DEPARTMENT

Mortgage Credit Certificate (MCC) Program

Currently the MCC Program is out of funds. The LAHD anticipates additional funding for the MCC Program in early 2008. Please check back at that time to see if funding has become available for the MCC Program.

Do you want to purchase a home in the City of Los Angeles?

The City of Los Angeles Housing Department's Mortgage Credit Certificate (MCC) Program can help you achieve homeownership. An MCC increases a borrower's disposable income by reducing their federal income tax obligation. This tax savings provides a borrower with more available income to qualify for a home loan and meet mortgage payment requirements. In order to participate in the Program, homebuyers must meet certain eligibility requirements, and obtain a first mortgage loan through a participating LAHD lender.

What is an MCC?

An MCC allows an eligible homebuyer to claim an annual federal income tax credit. This annual credit results in a dollar for dollar reduction which is applied towards the homebuyer's federal income tax obligation. The MCC credit is either 15% or 20% (depending on property location) and is applied to a portion of the total mortgage interest paid every year for the duration of the first mortgage loan.

How does the MCC benefit you?

- ❖ You will receive a dollar for dollar tax credit which is applied on your Federal Income Tax Return.
- ❖ The credit amount you receive will qualify you for a larger first mortgage loan.
- ❖ You can take advantage of the tax credit every year for the life of the original first mortgage.
- ❖ If you refinance, you are eligible to apply for a Reissued Mortgage Credit Certificate.

Example of an MCC:

Mr. Jones qualified for a first mortgage loan of \$200,000 at an interest rate of 6.25% for 30 years. He purchased a home in a non-targeted area which qualifies him for an MCC tax credit of 15%.

The tax credit amount will be determined as follows:

- ❖ $\$200,000 \times 6.25\% = \$12,500$ (estimated first year's mortgage interest)
- ❖ 15% (tax credit rate) $\times \$12,500 = \mathbf{\$1,875}$ (yearly tax credit amount)
- ❖ $\$1,875 / 12$ months = \$156.25 (monthly funds available for a larger 1st mortgage)
- ❖ $\$12,500 - \$1,875 = \mathbf{\$10,625}$ (interest paid which still qualifies as an itemized deduction)

By adding the MCC credit of \$156.25 to the maximum available monthly for first mortgage, the purchasing power for Mr. Jones is increased by \$25,377.

MCC eligibility requirements

You qualify for an MCC if all three of the following are met:

1. First-Time Homebuyer

- ❖ You must be a first-time homebuyer, which is defined as someone who has not had an ownership interest in a principal residence at any time during the past 3 years. (**EXCEPTION:** This requirement does not apply to someone purchasing a property in a targeted area.)
- ❖ The home you purchase will be your primary (year-round) residence.

2. Income Limit (There are target and non-target areas)

<u>Size of Household</u>	<u>Maximum Income</u>	
	<u>15% Tax Credit Non-Target Area</u>	<u>20% Tax Credit Targeted Area*</u>
1-2 person(s)	\$88,800	\$88,800
3 or more	\$103,600	\$103,600

3. Purchase Price Limits

	<u>Non-Target Area</u>	<u>Target Area</u>
Existing Housing	\$571,278	\$698,229
New Construction	\$591,272	\$722,665

* Targeted areas can be found in parts of the San Fernando Valley, East and South Los Angeles, and San Pedro.

MCC Program Requirements

- ❖ Home must be located in the City of Los Angeles (See List of LA Communities).
- ❖ There is an application fee of \$150.
- ❖ The MCC cannot be combined with the Mortgage Revenue Bond (MRB) Program or the "Extra Credit" for teachers program.
- ❖ The MCC can be used in conjunction with an LAHD Low Income, Moderate Income or CalHOME Loan. It may also be used as a stand alone product.

How do you apply for an MCC?

Start by calling or visiting one of the LAHD Participating Lenders listed in this publication or by referring to the LAHD website. While the lender is processing your first mortgage application, they will also complete an MCC application and forward it to the City on your behalf. You do not need to submit anything to the City directly. The City will review your eligibility and issue a commitment to your lender before the loan closes. After the City receives your lender's closing documents, the MCC will be issued and mailed to you, along with instructions on how to claim your MCC Federal tax credit.

If you have any questions regarding this program, please refer to the LAHD website (www.lacity.org/lahd) or call the City of Los Angeles Housing Department at (213) 808-8976.