



# DC's MCCs

- **Program issuer is the District of Columbia Housing Finance Agency (“DCHFA”)**
- **Reservations for the MCC will began being accepted on June 6, 2022.**
- **All information in the following presentation is accurate as of the date it was created.**
- **Please do not solely rely upon this presentation for information. Refer to the most recently published MCC Program Guide.**
- **When coupling the MCC with a DC Open Doors Loan Program, you MUST choose a Loan Product WITH the MCC at Lender On Line**
- **The Lender also has the option of reserving an MCC-ONLY Loan**

# DC's MCCs

## LETS START WITH THE BASICS

- **The Mortgage Credit Certificate (“MCC”) is NOT a down payment assistance program or a mortgage loan**
- **The MCC program provides a federal income tax credit similar to the federal first-time homebuyer tax credit**
- **The DC MCC is a federal income tax credit that may**
  - 1) Reduce the amount of federal income tax the borrower is required to pay**
  - 2) Provide more available income to pay the monthly mortgage payment**
- **The Credit Amount for the DC MCC is 20% and there is NO annual cap on the amount!**

# DC's MCCs OPENS ON JUNE 16, 2016!

- A Mortgage Credit Certificate (“MCC”) provides qualified borrowers the ability to claim a Federal Tax Credit of 20% of the mortgage interest paid during that calendar year
  - A **Tax Credit** is a dollar for dollar reduction of the borrower’s annual Federal Tax Liability.
- The remaining mortgage interest can still be claimed as a Tax Deduction.
  - A **Tax Deduction** is subtracted from the adjusted gross income before Federal Taxes are computed.

# DC's MCCs

## WHAT ARE THE REQUIREMENTS?

- Guidelines differ from the DC Open Doors Loan Programs:
  - Borrowers must be first time homebuyers
    - Must not have had an ownership interest in a principle residence within the most recent 3 year period
      - Exception for residences purchased in a Targeted Area (see chart)
      - Exception for Veteran's utilizing a one-time exception
  - Maximum income is based upon **HOUSEHOLD** income
    - Household income is the income of all members of the household, even if not taking an ownership interest in the home (excluding full-time student dependents)
    - Household Income Limits are based upon the household size
  - Maximum Loan Amount is **\$647,200**
  - Single Family residences, only (**no 2-4 unit properties**)
  - Can be provided in conjunction with a DC Open Doors loan program or without a DC Open Doors loan program

# DC's MCCs

## Income Limit:

Non-targeted Area Family of 2 or less	Non-targeted Area Family of 3 or more	Targeted Area Family of 2 or less	Targeted Area Family of 3 or more
\$154,800	\$180,600	\$154,800	\$647,200

## 1<sup>st</sup> Trust Maximum Loan Amount

	Single-Family Unit
Non-targeted	\$647,200
Targeted	\$647,200

# DC's MCCs

## WHAT ARE THE BENEFITS?

### EXAMPLE 1

**\$280,000 Loan Amount**

**4.50% Interest Rate**

**1<sup>st</sup> Year's Interest = \$12,507**

**X 20% Tax Credit = \$2,501 Benefit**

***\$46,150.02***

**\$208 Monthly Benefit**

**Borrower is still able to take a deduction for the remaining 80% of interest paid for that year.**

**Don't wait for tax time to reap the benefits!**

**Adjust dependents on your W-4 Form so that you increase your net take home pay!**

**Example is for illustrative purposes only. Please consult a Tax Advisor.**

# DC's MCCs

## WHAT ARE THE BENEFITS?

### EXAMPLE 2

**\$400,000 Loan Amount**

**4.50% Interest Rate**

**1<sup>st</sup> Year's Interest = \$17,868**

**X 20% Tax Credit = \$3,573 Benefit**

**\$65,928.60**

**\$297 Monthly Benefit**

**Borrower is still able to take a deduction for the remaining 80% of interest paid for that year.**

**Don't wait for tax time to reap the benefits!**

**Adjust dependents on your W-4 Form so that you increase your net take home pay!**

**Example is for illustrative purposes only. Please consult a Tax Advisor.**



# DC's MCCs

## What does the homeowner have to do to claim the benefit with the IRS??

- Each year the homeowner files IRS Form 8396 with their federal income tax return.
- This form is available on the IRS website ([www.irs.gov](http://www.irs.gov))
- Buyers should be reminded to direct any tax questions to their tax professional or to the IRS

# DC's MCCs

## DC's MCC Loan Options

- **Option #1- DC's MCC may be used as a STAND ALONE product with a Conventional, VA or FHA 30 Year Fixed Rate Mortgage or an FHA Adjustable Rate Mortgage**
  - **May not be used with bond loans such as a DC4ME Loan**

**OR**

- **Option #2- DC's MCC may be combined with a DC Open Doors Loan. If this option is utilized, the lender must follow the *stricter* of the program requirements**

# DC's MCCs

## Program Required Documents

- All lenders must sign DCHFA's Lender Participation Agreement
- All MCC Disclosures, Checklists and Closing Documents will be posted at Lender On Line and on DCHFA's website, [www.dchfa.org](http://www.dchfa.org) or [www.dcopendoors.com](http://www.dcopendoors.com)
- Some key documentation requirements are as follows:
  - 3 years tax returns to reflect no interest/real estate tax deduction
    - Signed transcripts may be acceptable if copies of the actual returns are not available
  - Lender's underwriting approval of first trust (signed 1008)
  - Documentation of income for all household members 18 years of age and older, even when not obligated on the loan or taking title to the property
    - Dependent Full-Time Students are excluded from this requirement

# DC's MCCs

## Costs

- **DCHFA charges \$450 as an MCC Issuance Fee when done in conjunction with a DC Open Doors Loan Program, an HPAP Loan or a VA Loan**
- **DCHFA charges \$1,500 as an MCC Issuance Fee when the MCC is issued without a DC Open Doors Loan Program**
- **The lender is permitted to charge an additional \$450 MCC Processing Fee**



# DC's MCCs

- **The MCC will be issued to the borrower AT SETTLEMENT and not before:**
  - **Final compliance review and approval by DCHFA of all required closing documents and affidavits**
  - **Complete closing packages and DCHFA's MCC Fee should be submitted not later than 15 days after closing**
  - **If MCC is in conjunction with a DC Open Doors loan product, the first trust loan must close and be purchased by the Master Servicer within the 60 day reservation period**

# DC'S MCCs

## WHAT ARE THE TARGETED AREAS?

### Target Areas in DC

- District of Columbia, Census Tract 34
- District of Columbia, Census Tract 47.01
- District of Columbia, Census Tract 47.02
- District of Columbia, Census Tract 64
- District of Columbia, Census Tract 74.01
- District of Columbia, Census Tract 74.03
- District of Columbia, Census Tract 74.04
- District of Columbia, Census Tract 74.06
- District of Columbia, Census Tract 74.07
- District of Columbia, Census Tract 74.08
- District of Columbia, Census Tract 75.02
- District of Columbia, Census Tract 75.03
- District of Columbia, Census Tract 75.04
- District of Columbia, Census Tract 76.05
- District of Columbia, Census Tract 77.08
- District of Columbia, Census Tract 78.08
- District of Columbia, Census Tract 78.09
- District of Columbia, Census Tract 88.04
- District of Columbia, Census Tract 89.03
- District of Columbia, Census Tract 89.04
- District of Columbia, Census Tract 92.04
- District of Columbia, Census Tract 95.01
- District of Columbia, Census Tract 96.01
- District of Columbia, Census Tract 96.02
- District of Columbia, Census Tract 97
- District of Columbia, Census Tract 98.02
- District of Columbia, Census Tract 98.03
- District of Columbia, Census Tract 98.10
- District of Columbia, Census Tract 98.11
- District of Columbia, Census Tract 99.04
- District of Columbia, Census Tract 99.06
- District of Columbia, Census Tract 99.07
- District of Columbia, Census Tract 104
- District of Columbia, Census Tract 109

# DCHFA INFORMATION

(DC OPEN DOORS & DC's MCCs)

For information about rates, programs, products and forms:



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# QUESTIONS?

