

MEDIA RELEASE
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The Industrial Development Authority of the City of Tucson, Arizona announces its 2011 Mortgage Credit Certificate Program (“MCC Program”). The 2011 MCC program is available now to assist first-time homebuyers in their efforts to become homeowners through its program administrator Advantage Housing Services, LLC.

The MCC Program is designed to reduce a first-time homebuyer’s federal income tax liability by providing an annual dollar-for-dollar federal tax credit of up to 20% of the annual interest paid on a home mortgage. The remaining 80% of mortgage interest still qualifies as an itemized tax deduction on their personal federal income tax return. The MCC certificate is good for the term of the loan assuming the original borrower remains a resident of the home.

The MCC can be used with fixed-rate or adjustable rate FHA, VA, and Conventional loans and can be used for new or existing single-family homes including detached homes, condominiums, duplexes, townhouses or manufactured homes. Residences must be owner-occupied and the homebuyer can select the mortgage lender. To qualify for the MCC Program, homebuyers must meet certain income and purchase price limits set by the U.S. government. They must not have owned a home during the past three years, unless purchasing in a federally designated “Target Area”. Each mortgage lender sets its own interest rate, loan type, and other loan terms.

“We are pleased to make MCC funds available for residents the City of Tucson,” said Marilyn Robinson, President of the Tucson IDA. “The program is an excellent tool to assist prospective first-time homebuyers. We encourage anyone thinking about purchasing a home to inquire about this program and its financial benefits”.

For information about the Mortgage Credit Certificate Program, including income limits and sales price guidelines, potential homebuyers can contact Advantage Housing Services at 882-5591.

The Industrial Development Authority of the City of Tucson

Single Family Mortgage Credit Certificate Program

Summary of Program Parameters

Program Area

City of Tucson, Arizona
Including unincorporated Pima County*

Household Income Limit

Family Size	Non-Target	Target
1 to 2 persons	\$70,800	\$73,800
3 or more persons	\$82,600	\$86,100

Purchase Price Limits

Property Type	Non-Target	Target
1 - Unit	\$284,625	\$347,485
2 - Units	\$364,365	\$445,335

Eligible Properties

New or previously occupied single-family homes including detached homes, manufactured housing, condominiums, duplexes, or townhouses within the Program Area.

Eligible Lenders

Any lending institution located within the state is eligible to provide loans under this Program.

Eligible Loans

Fixed-rate or adjustable rate FHA, VA, and Conventional loans. MCC's are not available with non-taxable mortgage revenue bond loans and veteran bond loans. Only original first mortgage financing is eligible. MCC's cannot be used with 100% seller financing.

Program Administration

Advantage Housing Services LLC ("AHS") is Program Administrator. AHS will process applications and issue MCC's. Questions regarding the Program should be directed to the Program Administrator at:

Advantage Housing Services, LLC

335 N. Wilmot, Ste. #420

Tucson, AZ 85711

520-882-5591

520-624-1728 fax

www.tucsonida.com

How it works

A MCC is a tax credit that reduces your federal tax liability. You receive a tax credit for 20% of your annual mortgage interest payment each year for as long as you own and remain in the house purchased.

\$150,000.00	Loan Amount
x 6.0%	Interest Rate
\$ 9,000.00	Interest paid 1 st year
x 20%	MCC Credit Rate
\$ 1,800.00	Tax Credit

Mortgage Credit Certificate Rate: 20%

How to apply

Lenders are to fax the 1003 and purchase contract to Advantage Housing Services at 520-624-1728.

The Lender can charge an Applicant only those reasonable fees that would be charged to a client applying for a mortgage without an MCC.

Other Program Requirements

1. The MCC recipient must plan to occupy the property purchased.
2. Applicant must be a first-time homebuyer (see #3 below), unless property is in a targeted area, or the loan is a qualified home improvement or qualified rehabilitation loan.
3. Prior ownership of a home (including an affixed mobile home) within the three most recent years disqualifies the Applicant as a first-time homebuyer.

Fee Schedule – Applicant

City of Tucson -

Program Fee: .75% of the final loan amount

Annual Administration Fee: \$100.00

Pima County –

Program Fee: \$500.00

Annual Administration Fee: \$150.00

* If the home you are purchasing is located in unincorporated Pima County, City of South Tucson, Marana, or Oro Valley Please contact:

Family Housing Resources

1700 E. Ft. Lowell, Suite 101

Tucson, AZ 85719

520-318-0993 ~ 520-323-3788 fax

What is an MCC?

The MCC operates as an IRS tax credit. The MCC tax credit (**20 percent** of annual mortgage interest paid) reduces the federal income taxes of qualified Borrowers purchasing qualified homes, thus having the effect of subsidizing their payments.

What is the difference between a “tax credit” and a “tax deduction”?

A “tax credit” entitles a taxpayer to subtract the amount of the credit from their total federal income tax liability (or bill). A “tax deduction” is subtracted from adjusted gross income before federal taxes are computed.

How does the MCC “reduce” the mortgage interest rate?

A Borrower with a **6.5%** fixed rate **30-year** mortgage of **\$150,000** would make **\$9,750** in interest payments during the first year of the mortgage. By using a **20% MCC**, up to **\$1,950 (20% of \$9,750)** of the payments would be allowed to be taken as a “tax credit” toward that buyer’s federal income tax liability of **\$1,950** or more after all other deductions and credits.

<u>Mortgage</u>	<u>Rate</u>	<u>Annual Interest</u>	<u>1st YR MCC Tax Credit</u>
\$100,000	6.0%	\$6,000	\$1,200

The MCC will reduce the amount of federal income taxes otherwise due to the federal government from the Borrower. The MCC is not refundable. The benefit to the homeowner cannot exceed the amount of federal taxes owed for the year, after other credits and deductions have been taken into account. The tax credit can be carried forward three tax years or until used, whichever comes first. The Borrower may consider adjusting his or her federal income tax withholding (**W-4**) so as to benefit on a monthly basis from the MCC. By taking this action, the Borrower will have more disposable income to make mortgage payments.

How does the Homebuyer realize the increase in “home-buying power”?

The homebuyer may consider adjusting his/her federal income tax withholding to receive the benefit from the credit on a monthly basis. In this case, the homebuyer will re-file a **W-4** form with his/her employer reflecting the MCC credit. By taking this action, the number of exemptions will increase, reducing the amount of taxes withheld and thereby increasing the disposable income.

The homebuyer also has the option to wait until the end of the year and realize the tax credit savings when filing the Federal Income Tax returns.

What happens if a qualified homebuyer cannot use the entire amount of the MCC credit for the year in which it applies?

If the amount of the MCC exceeds the homebuyer’s tax liability reduced by any other personal credits for the tax year, the unused portion of the credit can be carried forward to the next three years or until used, whichever comes first. The Homebuyer will have to keep track of the unused credit by year. The current year credit is applied first and then the “oldest” amount of unused credit applied next.

How does a homebuyer apply for an MCC?

The Homebuyer applies for the Mortgage Credit Certificate with a MCC Administrator at the same time he/she makes a formal application for a mortgage loan. The homebuyer should have a signed purchase offer in hand to buy a house and be ready to supply credit information, employment data and other information to the Lender.

There is no allocation of Mortgage Credit Certificates by the Lender. After an application is filed, the Lender will arrange with the MCC Administrator to reserve an allocation for an MCC assisted mortgage loan. This reservation (MCC Commitment) will hold the MCC while the Lender and the MCC Administrator are processing the application.

What kinds of properties are eligible?

An MCC can only be used for new or existing single-family homes including single family detached homes, condominiums, duplexes, townhouses or manufactured houses. Triplexes and four-plexes do not qualify as eligible structures.

What loans can be used with the MCC?

MCCs can be used with conventional, fixed-rate or adjustable rate loans; FHA and VA loans; and privately insured loans. MCCs are not available with (tax-exempt) bond backed loans such as the Mortgage Revenue Bond program that can carry a below-market fixed interest rate.

How long can a Borrower use the tax credit of the MCC?

A first time homebuyer may use the tax credit provided by the MCC as long as he/she lives in the home as his/her principal residence.

What are the purchase price and income limitations?

<u>Purchase Price Limits</u>	<u>Non-Target</u>	<u>Target</u>
1-UNIT:		
New / Existing	\$ 284,625	\$ 347,485
2-UNITS:		
New / Existing	\$ 364,365	\$ 445,335

Household Income Limits:

1 to 2 persons	\$ 70,800	\$ 73,800
3 or more persons	\$ 82,600	\$ 86,100

Mortgage Credit Certificates are available to first-time homebuyers unless property is in a targeted area. The MCC Administrator will not underwrite the loans. Lenders will process the underlying mortgages using standard procedures, with adjustments to those procedures, as needed, in order to satisfy MCC requirements.