

Mortgage Credit Certificate

A homebuyer assistance tool for first-time homebuyers in Portland.



Features/Benefits

The Mortgage Credit Certificate (MCC) Program is for first-time homebuyers in Portland. An MCC provides homebuyers with an annual tax credit, which reduces their federal income taxes owed as long as they keep the loan and continue to occupy the home as their principal residence. The tax credit helps the homebuyer to more comfortably afford the monthly payment on their first home. The amount of the MCC tax credit will equal 20 percent of the annual mortgage interest paid by the homebuyer.

The following example shows how the amount of the MCC will be calculated. The example below assumes the homebuyer gets a 30-year mortgage of \$250,000 with a 6.0% annual interest rate. Based on this example the total annual interest payments during the first year of the mortgage would be \$15,000. Based on these assumptions here is how much tax credit they would get:

Example of a Mortgage Credit Certificate Calculation

| | |
|--|----------------|
| 1. Sample Home Loan Amount | \$250,000 |
| 2. Sample Annual Interest Rate | 6.0% |
| 3. Total Annual Interest Paid | \$15,000 |
| 4. Mortgage Credit Certificate Rate | 20% |
| 5. Annual MCC Amount (Line 3 x Line 4) | \$3,000 |
| 6. Monthly Credit Amount (Line 5 ÷ 12) | \$250 |

The amount of the annual tax credit is then deducted from the homebuyer's total tax liability. If the homebuyer is not able to use the full amount of the MCC tax credit in a particular tax year—it may be carried forward for up to three calendar years. If the homebuyer's total annual federal taxes is less than the total amount of the MCC, the MCC is most likely not the right program for them. The amount of MCC tax credit differs based on the amount of the homebuyer's loan, interest rate and term of the loan. Each lender may treat the MCC differently for underwriting purposes and also depending on the type of loan selected. The above example is for educational purposes only and is not an actual offer of credit.

Eligibility Requirements

Eligible Homebuyer

- First-time homebuyer, which is defined as not having owned a home in the past three years; this requirement is waived if the property is located in a "Target Area"
- Annual household income limit is based on family size as follows:

1-2 Persons-\$67,500

3 or more persons-\$77,625

Eligible Homebuyer (continued)

- Must meet first mortgage lender's criteria for underwriting, credit and down payment requirements
- Must occupy property as "principal residence" within 60 days of the purchasing the home

Eligible Property

- Must be located within the Portland city limits
- Must be owner-occupied during the life of the loan
- Single-family units only, including condos and town homes
- Maximum purchase price - \$361,125 city-wide

Loan Terms

The MCC is not a loan. It is a federal tax credit. The homebuyer must choose from a list of PDC-approved participating lenders. The MCC may be combined with a PDC-approved fixed-rate loan product with a term of 30 or more years. Due to federal restrictions, the MCC may not be combined with an Oregon Bond loan. Homebuyers should carefully consider all of their loan options prior to selecting a loan product or a particular lender. For additional details about loan terms the homebuyer should consult their loan officer.

MCC Recapture Tax Disclosure

The MCC Program includes a federal Recapture Tax provision that is applicable if the property is sold within the first nine years of ownership. Payment of the recapture tax depends on homebuyer's adjusted gross income for the year in which they sell. Homebuyers should consult their loan officer for details and carefully review the Recapture Tax Notice prior to applying for the program.

**For more information ask you lender
or call PDC at 503-823-3400, e-mail nhp@pdc.us
or visit www.pdc.us/mcc.**



Your partner for home purchase, repair & renovation

PDC Neighborhood Housing Program
tel: 503-823-3400 • fax: 503-823-3435