



## **MORTGAGE CREDIT CERTIFICATE PROGRAM GUIDELINES**

The Mortgage Credit Certificate Program operates as an IRS tax credit. With a MCC, the qualified homebuyer becomes eligible to take a federal income tax credit of 20% of the annual interest paid on the mortgage each year for as long as the buyer lives in the home. This credit reduces the federal income taxes of the buyer, resulting in an increase in the buyer's net earnings and increases the buyer's capacity to qualify for a mortgage loan. Applications are processed through participating MCC lenders. Homebuyer may be subject to recapture tax if they sell their residence within 9 years.

|                        |                               |
|------------------------|-------------------------------|
| Eligible Area:         | City of San Diego             |
| MCC Credit Amount:     | 20%                           |
| Income Limit:          |                               |
| 1 - 2 persons          | \$102,000 (2016 / 2017 limit) |
| 3 + persons            | \$119,000 (2016 / 2017 limit) |
| Sales Price Limit:     |                               |
| Targeted               | \$669,277 (2016 / 2017 limit) |
| Non-Targeted           | \$547,591 (2016 / 2017 limit) |
| Application Fee:       |                               |
| Standalone             | \$500                         |
| With SDHC Loan & Grant | \$300                         |

### **The MCC can only be applied for with:**

1. Purchases of single family homes including detached homes, condominiums or townhouses (duplexes and/or two-on-one units are not eligible).
2. FHA, VA or conventional loans with fixed or adjustable rates. No bond-backed loans such as CalHFA and Cal Vet, and no negative amortization loans.
3. Homes that will be occupied as a principal residence

### **How to Calculate an MCC:**

|                       |           |
|-----------------------|-----------|
| Sample Loan Amount:   | \$486,000 |
| Sample Interest Rate: | 4.00%     |
| MCC Amount:           | 20%       |

|    |                                                                   |          |
|----|-------------------------------------------------------------------|----------|
| 1) | Determine the Annual Interest for the first year (\$486,000 x 4%) | \$19,440 |
| 2) | Determine the Annual Mortgage Credit (\$19,440 x 20%)             | \$3,888  |
| 3) | Determine the Monthly Mortgage Credit (\$3,888 / 12)              | \$324    |

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### **First Time Homebuyer Requirement:**

Applicants and all household members must be a first-time homebuyer defined as not having ownership in a property within the last three years. When the home being purchased is in one of the sixty-six designated targeted census tracts the applicant is not required to be a first time homebuyer but cannot own a home at the time of application.

### **Targeted Neighborhoods**

The areas listed below are considered targeted under the MCC program. To see if subject property is in a targeted census tract, go to the bottom of first page of First-Time Homebuyer section and click **Census Tract Information**. Enter address information and compare census tract with below list.

| <b>Targeted Census Tracts</b>                                                      | <b>General Area</b>          |
|------------------------------------------------------------------------------------|------------------------------|
| 12, 16                                                                             | Normal Heights               |
| 65, 66                                                                             | Loma Portal                  |
| 83.05, 83.39, 83.41, 83.43, 83.61, 83.63                                           | 52 Freeway Area              |
| 86, 90                                                                             | Kearney Mesa/Clairemont Area |
| 94                                                                                 | Miramar Area                 |
| 22.01, 22.02, 23.01, 23.02, 24.01, 24.02, 25.01, 26.01, 26.02                      | City Heights/East San Diego  |
| 27.02, 27.07, 27.08, 27.09, 27.10, 27.12, 28.01, 29.04, 30.01, 30.04, 31.05, 31.11 | East San Diego               |
| 170.35                                                                             | Black Mountain Area          |
| 33.01, 33.03, 33.04, 33.05, 34.03, 34.04, 35.01, 35.02, 36.01, 36.02, 36.03        | Southeast San Diego          |
| 40, 41, 47, 48, 49                                                                 | Southeast San Diego          |
| 39.01, 39.02                                                                       | Logan Heights                |
| 50, 51                                                                             | Barrio Logan                 |
| 52, 53, 57, 58                                                                     | Downtown                     |
| 100.05, 100.09, 100.13, 101.03, 101.06, 101.11, 101.12                             | South San Diego/San Ysidro   |

