



The Maryland HomeCredit Program (MHCP) FACT SHEET

PROGRAM OVERVIEW: The Maryland HomeCredit Program (MD HomeCredit Program) provides Mortgage Credit Certificates (MCC) which entitle eligible borrowers to take a federal income tax credit equal to a percentage (the "Certificate Credit Rate" stated below) of the interest paid during the year on a mortgage loan covered by the MCC, up to a maximum of \$2,000 per year. This is a dollar-for-dollar reduction against the borrower's annual federal tax liability. The borrowers claim the credit on their federal income tax return by using IRS Form 8396, Mortgage Interest Credit. The remaining balance of the mortgage interest continues to qualify as an itemized deduction.*

ISSUER: The Issuer of the MCC is The Maryland Community Development Administration (CDA).

Borrowers can obtain a MD HomeCredit MCC by making application through:

- An approved Maryland Mortgage Program (MMP) Lender, who will process the MCC application along with the borrowers' application for the mortgage loan, or
- An approved MD HomeCredit Program-only lender. The lender will process the MCC application through CDA at the same time that they independently process the borrowers' non-MMP mortgage loan.

The MCC can be issued together with any participating lender's fixed rate first mortgage loan. It cannot be used with local housing agency tax exempt bond loans.

DURATION: Lenders can begin reserving under the MD HomeCredit Program on June 1, 2014. All loans associated with this program must be closed by 12/15/2015. CDA may extend, discontinue or modify the MD HomeCredit Program at any time.

PURPOSE: The MCC will be issued for financing the purchase of one-unit, single-family, owner-occupied principal residences, located in the State of Maryland.

Note: The MD HomeCredit Program is not available in combination with the following MMP products which are financed by tax-exempt bonds: DHCD-owned Foreclosure Program mortgage loans (including the First Look Program), Homefront for Disabled Veterans mortgage loans, or any refinancing products under the Maryland Mortgage Program.

CERTIFICATE CREDIT RATE: 25% (This rate entitles the borrower to claim 25% of the interest paid during the year on a mortgage loan, up to a maximum of \$2,000 per year as a dollar-for-dollar reduction against the borrower's annual federal tax liability*).

MCC APPLICATION AND ISSUANCE FEES:

The following fees are due and payable. They include the application fee for any lender who is not interested in applying for participation in the Maryland Mortgage Program but is interested in participating in the MD HomeCredit Program. CDA will also charge fees to the borrower to cover administrative costs. CDA will allow, based on the following schedule, the lender to charge a fee to the borrower up to the limits described below:

One time lender application fee: \$2,500 (which is waived for MMP lenders)

CDA MCC fees:

- MCC Only: \$1,100 per MCC
- MCC with an MMP loan: \$450 per MCC

Lender MCC fees (lenders can establish their own fees within these guidelines)

- MCC Only: up to \$700 per MCC
- MCC with an MMP loan: up to \$350 per MCC

Maximum total MCC fees that can be charged to an MCC borrower:

- MCC Only: \$1,800 per MCC
- MCC with an MMP loan: \$800 per MCC

ELIGIBLE

BORROWERS*:

- **Residence requirement.** The loan (first mortgage) must be secured by a lien on a one-unit single-family residence which can reasonably be expected to become the principal residence of the borrower within 60 days. The residence must be located in the State of Maryland.
- **First-time homebuyer requirement.** The borrower must not have owned a principal residence at any time during the three-year period prior to the loan. This requirement does not apply to:
 - loans on residences in “targeted areas.” Information about targeted areas is available on the Maryland Department of Housing and Community Development’s website at <http://mmp.maryland.gov/Pages/Targeted-Areas.aspx>; or
 - a borrower who is an honorably discharged veteran who has not previously used the first-time homebuyer exemption. (This is in accordance with the Heroes Earnings Assistance and Relief Tax Act of 2008, as amended. A DD-214 form must be submitted to document veteran status, and a Veteran First Time Homebuyer Exemption form (Attachment V) must be completed.)
- **Income and purchase price limits.** The annual household income of borrowers cannot exceed specified limits based generally on area median income, family size, location of the residence in a targeted area, and housing costs. The current income and purchase price limits are listed on the MMP website at <http://mmp.maryland.gov/Pages/Detailed-Income-Eligibility.aspx>.

RECAPTURE TAX:

Borrowers who sell their residences within nine years may be subject to a “recapture tax” under section 143(m) of the Internal Revenue Code. However, CDA will reimburse the borrowers for the recapture tax on sales of residences that were financed by CDA through its Maryland Mortgage Program. CDA will not make reimbursements on non-MMP mortgage loans.

APPROVED LENDERS:

- A list of the lenders that participate in the Maryland Mortgage Program can be found on the website at mmp.maryland.gov/MDHomeCredit. Eligible borrowers may apply for the MD HomeCredit Program through these lenders.
- Borrowers wishing to obtain MCCs for loans by lenders who are not participants in the MD HomeCredit Program should have their lender apply to CDA according to the requirements on the website.

**In addition to the tax law requirements, the MD HomeCredit Program has other requirements that may affect a borrower’s eligibility for an MCC. Please speak with a participating lender regarding the MD HomeCredit Program’s eligibility requirements.*

MCCs issued under the MD HomeCredit Program may be revoked in the event of noncompliance with the eligibility requirements and in particular will be automatically revoked if the MCC holder ceases to use the residence covered by the MCC as a principal residence.

Any borrower wishing to apply for an MCC should contact a tax advisor for his particular situation.