

HOW TO APPLY

You may apply for an MCC at the same time you submit an application for a mortgage loan to one of the Program's Participating Lenders. If a list of Participating Lenders has not been included with this brochure, you may call the Department of Housing at (650) 802-5032 to request one.

WHERE YOU CAN BUY A HOME

You may buy a qualifying single family home in any city in the County of San Mateo (including Unincorporated County) with the exception of the Town of Hillsborough.

TYPES OF ACCEPTABLE PROPERTIES

The properties for which the MCC is acceptable are: single-family detached homes, condominiums, townhouses and mobile homes that are affixed to a permanent foundation or skirted, set on piers with wheels removed and connected to utilities .

Duplexes and other multi-family dwellings do not qualify.

TYPES OF ACCEPTABLE LOANS

You may use Conventional, FHA, or VA (fixed or adjustable rate) loans. Negative amortization and graduated payment (GPM) loans are not allowed.

You cannot use MCCs with CalVet or California Housing Finance Agency (CalHFA) loans.

NOTICE:

Staff Cannot Give Tax Advice. If you have questions about how the MCC will affect your taxes, please consult a tax professional or call the IRS at 1-800-829-3676.

NEED MORE INFORMATION ?

Information is available in the following IRS Publications:

Publication 530

Tax Information for First-Time Homebuyers

Publication 523

Selling Your Home

Publication 936

Home Mortgage Interest Deduction

FILING FORMS

Form 8396 Mortgage Interest Credit

Filed annually with form 1040 to claim MCC tax credit.

Form 8828 Recapture of Federal Mortgage Subsidy

Used to determine and compute any recapture of MCC tax credit that may be due if residence is sold before the end of 9 years.

These forms and publications may be ordered by -

Calling the IRS 1-800-829-3676

- OR -

By FAX 1-703-368-9694

- OR -

Download and/or print from the
IRS Web Site - www.irs.gov



MORTGAGE CREDIT CERTIFICATE PROGRAM

*For First-Time
Homebuyers*

Administered By:

The San Mateo County
Department of Housing
264 Harbor Blvd., Bldg. A
Belmont, CA 94002
(650) 802-5032

WHAT IS A MORTGAGE CREDIT CERTIFICATE (MCC)?

The MCC is a federal tax credit certificate issued to eligible first-time homebuyers for the purpose of obtaining a dollar-for-dollar reduction (tax credit) of federal income tax owed. The credit is equal to **15%** of the annual mortgage interest you pay on your primary home loan. The remaining **85%** of your mortgage interest can still be taken as an itemized deduction.

INCOME TAX DETAILS

The overall impact of utilizing both tax credit and tax deduction greatly enhances the tax advantages of homeownership by reducing the amount of federal income tax you might otherwise have owed. Your tax credit benefit cannot exceed the amount of federal taxes owed in any given year, but there is a three year carry-forward provision for unused credits.

Based upon the amount of your estimated "annual tax credit" (*annual mortgage interest X 15%*), you have the option of increasing your withholding exemptions by filing a new W4 with your employer. Doing so will reduce the amount of federal tax withheld from each paycheck and increase the amount of spendable income that can be applied toward your monthly mortgage payments. *Please consult a tax professional before making any changes.*

You may continue to claim your tax credit as long as you continue to own and live in your home.

If you refinance your primary real estate loan, you can retain your tax credit by applying for a Reissued Mortgage Credit Certificate (RMCC). Contact the County's MCC Department for application instructions

If you sell your home within 9 years of purchase, you may be subject to a recapture of all or part of the tax credits you received. Refer to page 27 of the IRS Publication 523 "Selling Your Home" for further details.

MCC ELIGIBILITY

1. You must be a first-time homebuyer:

You cannot have had an ownership interest in a residence occupied as your principal residence within the three years prior to the date of the MCC application.

YOU MUST, OF COURSE, LIVE IN THE HOME YOU ARE BUYING AND CONTINUE TO DO SO AS LONG AS YOU ARE TAKING THE TAX CREDIT.

2. Your gross household income must be at or below the following limits:

Household Size	Maximum Income
1-2 persons	\$ 95,000
3 or more	\$ 109,250

3. The purchase price of your home cannot exceed the following limits:

Existing (previously occupied)	Newly Constructed not previously occupied)
\$ 549,790	\$ 576,150

APPLICATION FEE

There is a \$300 **NON-REFUNDABLE** fee due with your MCC application. The lender may retain \$75 and \$225 is payable to San Mateo County.

PLEASE NOTE: THERE IS A \$25 FEE FOR RETURNED CHECKS.

ANNUAL AND MONTHLY TAX CREDIT BENEFIT IS CALCULATED THIS WAY:

Mortgage Amount.....350,000
 x Interest Rate.....6%*
 = Annual Interest Paid.....\$20,883
 x MCC Credit Rate.....15%
 = Tax Credit..... \$3,132

- Interest Rate Shown Is For Illustration Purposes Only.
Actual interest rates will vary with market conditions.

	With MCC	Without MCC
Gross Income	\$ 80,000	\$ 80,000
Mortgage Interest Deduction	® \$17,750	© \$ 20,883
Adjusted Gross Income	\$ 62,250	\$59,117
Assumed Federal Tax Rate	15 %	15 %
Estimated Tax Due	\$ 9,338	\$ 8,868
MCC Tax Credit	™ \$ 3,132	-0-
Adjusted Tax Bill	\$ 6,206	\$ 8,868

Notes:

- ® = 85% of mortgage interest
- © = full deduction
- ™ = 15% of mortgage interest

This example is for illustration purposes only. It does not take into consideration the many variations that could affect individual homebuyer's tax obligations. You are strongly encouraged to consult a tax professional before applying for this program.