

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 HOMES CAN BE PURCHASED

Qualifying single family homes can be purchased in any city in the County of San Mateo (including Unincorporated County) with the exception of the Town of Hillsborough.

TYPES OF ACCEPTABLE PROPERTIES

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

Conventional, FHA, or VA (fixed or adjustable rate) loans.

Negative amortization and graduated payment (GPM) loans are not allowed.

MCCs cannot be issued with CalVet or California Housing Finance Agency (CalHFA) loans.

NOTICE:

Staff Cannot Give Tax Advice. Questions about how the MCC will affect your taxes should be directed to a tax professional or 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 paid on the primary home loan. The remaining **85%** of the mortgage interest can 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 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.

THE PROPERTY MUST REMAIN OWNER OCCUPIED AS LONG AS THE TAX CREDIT IS BEING CLAIMED.

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

<u>Household Size</u>	<u>Maximum Income</u>
1-2 persons	\$ 99,400
3 or more	\$ 114,310

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

Existing (previously occupied) and Newly Constructed (not previously occupied):
\$663,309

APPLICATION FEE

There is a \$300 NON-REFUNDABLE fee due with the MCC application. Checks are payable to San Mateo County.

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.*
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APPLICANTS ARE STRONGLY ENCOURAGED TO CONSULT A TAX PROFESSIONAL BEFORE APPLYING FOR THIS PROGRAM TO DETERMINE THEIR PERSONAL TAX BENEFIT.