

MOUNTAIN WEST FINANCIAL, INC

MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM MATRIX

This information is not intended or authorized for consumer use. Credit and collateral are subject to approval. Terms and conditions may apply. This is not a commitment to lend.

Mortgage Credit Certificate (MCC) Terms	
MCC OVERVIEW	An MCC enables a homebuyer to take a direct dollar-for-dollar tax credit on their federal income tax return, based on a portion of their mortgage interest paid annually. MCCs are not mortgages; they are tax credits, effectively putting extra cash in the borrower's pocket each month so the borrower can more easily afford the housing payment. The tax credit has the potential to save the homebuyer thousands of dollars over the life of the mortgage loan. A tax credit is not the same as a tax deduction. Tax credits directly reduce the amount of federal income taxes paid by giving the borrower a discount in the amount of taxes owed.
MCC TAX CREDIT RATE	The percentage of credit does have a range, usually between 15% and 25%, although it can be as high as 50%. If the certificate credit rate is higher than 20%, the annual credit maximum is \$2,000.
MCC BENEFITS	<p>Benefits:</p> <ul style="list-style-type: none"> • Reduction in annual taxes owed to IRS (each year for life of original loan) • “Effectively” reduces interest rate of first mortgage (after annual tax credit is considered) • Additional income for credit qualifying of first mortgage* <p>* CalHFA does not allow the MCC to be used to help qualify for a CalHFA first mortgage).</p>
EXAMPLE (ASSUMPTIONS) For illustration purposes only	<p>Assumptions:</p> <ul style="list-style-type: none"> • \$300,000 mortgage (30-year fixed) with 5.00% interest rate • Borrower pays \$15,000 in interest payments the first year • MCC Tax Credit = 20% or \$3,000 (20% of \$15,000) • Remaining \$12,000 is interest that can be used as tax deduction* <p><i>*MWF and its affiliates do not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. The borrower should consult their own tax, legal and accounting advisors before engaging in any transaction.</i></p>
EXAMPLE (BENEFITS)	<ul style="list-style-type: none"> • \$3,000 is the tax credit, which can directly reduce the overall amount due to the IRS. For example, if the Borrower owes \$5,000 in taxes, they would be able to reduce it to only \$2,000 owed by applying the \$3,000 credit. • The after-credit interest paid on the mortgage is reduced, effectively reducing the interest rate on the mortgage from 5.00% to 4.00%. The annual interest of \$12,000 (instead of \$15,000) on \$300,000 corresponds to a 4.00% interest rate.

These program parameters pertain to the housing agency's guidelines as of the status date noted on this Program Overview. Program guidelines should be confirmed with the respective agency prior to loan submission to ensure the use of the most current parameters. When combined with any program, the stricter underwriting guidelines will always prevail. MWF and its affiliates do not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. The borrower should consult their own tax, legal and accounting advisors before engaging in any transaction.

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	<ul style="list-style-type: none"> Borrower has \$250 in additional disposable income in which Underwriting may use for qualify purposes (Non-CalHFA loans including Conventional, FHA and VA loans).
UNUSED TAX CREDIT	If the amount of MCC credit exceeds the homebuyer's tax liability or the annual limit of \$2,000 (if MCC rate is above 20%), the unused portion of the credit may be carried forward to the next three years or until used, whichever comes first. The borrower may want to consider amending his/her W-4 form on file with their employer to allow the maximum MCC credit.
REPAYMENT/RECAPTURE TAX	<p>Although uncommon, recapture tax may apply under certain conditions within the first nine years of ownership. The recapture tax is designed to "recapture" some of the financial benefit of the MCC if all 3 conditions occur:</p> <ul style="list-style-type: none"> The home is sold before 9 years AND The recipient's household income has risen significantly AND The value of the purchased house has risen
TERM	The MCC tax credit is in effect for the life of the loan as long as the home remains the borrower's primary residence. An MCC may be re-issued when refinancing, but cannot be assumed or transferred to a new buyer or another home.
PROGRAM ADMINISTRATOR	MCCs are administered through various State and Local governments and Housing Finance Agencies.
DOWNPAYMENT ASSISTANCE	An MCC may be layered with any MWF approved homebuyer assistance program(s) as long as the DPA is not utilizing bond funds.
PRICING	<ul style="list-style-type: none"> \$295 MWF processing fee. MWF does not charge a fee for re-issuing MCCs. Agency application fee varies by agency. See the specific MCC program's Affordable Housing Program Overview. The Branch will be responsible to collect from the Borrower any fees required by the Agency and forward the fee check to the Agency direct, or to Post Closing - Underwriting Specialist with the Closing Phase documentation or through the loan documents if acceptable to the specific Agency.
TRANSACTION TYPE	An MCC may be used with purchase transactions only.
TRAINING	Training requirements vary by the MCC program's administering agency and is usually a requirement. The Originator is responsible for attending any required training offered by the MCC provider.
FIRST TIME HOMEBUYER (FTHB)	Borrowers must be first time homebuyers. An exception to the first time homebuyer requirement may be made for qualified Veterans or homes in Targeted

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	areas based on agency guidelines. Additionally, some agencies allow a FTHB exemption for qualified dis-placed homemakers or a qualified single parent.
HOME-BUYER EDUCATION	Homebuyer Education may be required and depends on the program.
LOCKS	The MCC commitment is the same as the lock period of the first mortgage.

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