Mountain West Financial, Inc.

WHOLESALE BULLETIN

IMPORTANT INFORMATION: PLEASE READ IMMEDIATELY

Guidelines | Bolt Training | Wholesale Website | Previous Bulletins

17W-080

Attention: Business Development Managers & Mortgage Brokers **August 30, 2017**

Please take a moment to read the important information contained in this bulletin.

Included in this Bulletin: REVISED Mortgage Credit Certificate Process Updated

Mountain West Financial is making it even easier for Wholesale Brokers to originate loans that utilize Mortgage Credit Certificate (MCC) programs within BOLT. We have created an MCC request page within BOLT that will allow Brokers to submit their MCC automatically to Mountain West Financial for processing. Below are links to the "Wholesale MCC Request How to Guide" the updated "MCC Broker Process", and "Reissue MCC Broker Process" to understand the new streamlined MCC process.

Wholesale MCC Request
MCC Wholesale Process
Wholesale Reissued MCC Process

What is an MCC?
MCC programs allow First-Time Homebuyers to take advantage of a special federal income tax credit (ranging from 15% to 25%).

How is an MCC beneficial to the borrower?
1. Reduces federal income tax the Borrower pays annually
2. Tax credit "effectively" reduces the interest rate on the mortgage loan
3. More available income to qualify for mortgage due to reduction in tax liability

How does an MCC work?
An MCC enables a First-Time 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. The tax credit has the potential to save the Homebuyer thousands of dollars over the life of the mortgage loan. MCCs are not mortgages; they are tax credits that put extra cash in the Borrower's pocket each month so the Borrower can more easily afford the housing payment. A tax credit is not the same as a tax deduction.

Scenario
- $200,000 mortgage (30-year fixed) with 5.00% interest rate

- Borrower pays $10,000 in interest payments the first year ($200,000 * 5.00%)
- MCC Tax Credit = 20% or $2,000 (20% of $10,000)
- Remaining $8,000 is interest that can be used as tax deduction

Benefit 1:
$2,000 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 $3,000 owed by applying the $2,000 credit.

Benefit 2:
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 $8,000 (instead of $10,000) on $200,000 corresponds to a 4.00% interest rate.

Benefit 3:
For Conventional **AND** FHA loans, because the borrower is entitled to $2,000 tax credit, they can have about $166 ($2,000/12 months) in additional disposable income in which Underwriting will use in consideration for qualify purposes.

For VA loans, because the borrower is entitled to $2,000 tax credit, federal taxes are reduced and used when calculating the residual income.

Please note that many MCC providers do require LO training. Origination staff can determine each agency's guidelines by going to the intranet and searching for approved programs under the Affordable Housing Department. https://mwfwholesale.com/index.php/com-jcalpro-categories/affordable-housing-center.

Note: An MCC request cannot be submitted on a TBD loan as a valid address is required for reservations. If the MCC credit is needed for your pre-approval, please communicate this with your underwriter.

Author: Underwriting