

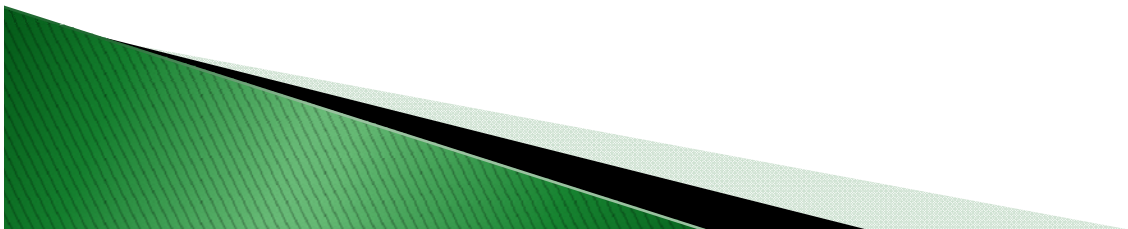
# **COLLIN COUNTY HOUSING FINANCE CORPORATION**

**REDEMPTION OF 2002A PROGRAM  
AND  
MORTGAGE CREDIT CERTIFICATE PROGRAM**

**April 23, 2012**

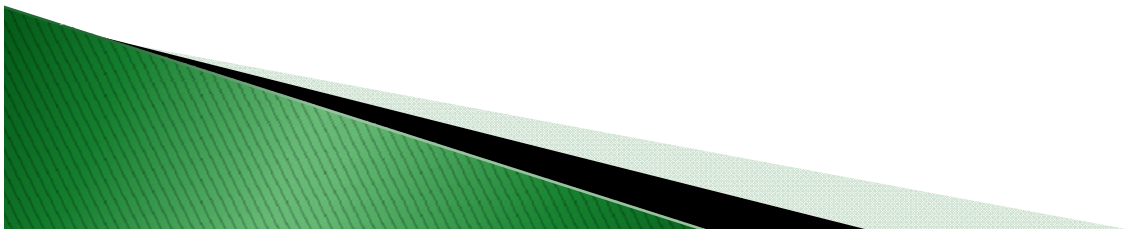
# CONTENTS

- ▶ Redemption of 2002A Single Family Mortgage Revenue Bonds
- ▶ Collin County HFC Mortgage Credit Certificate Program



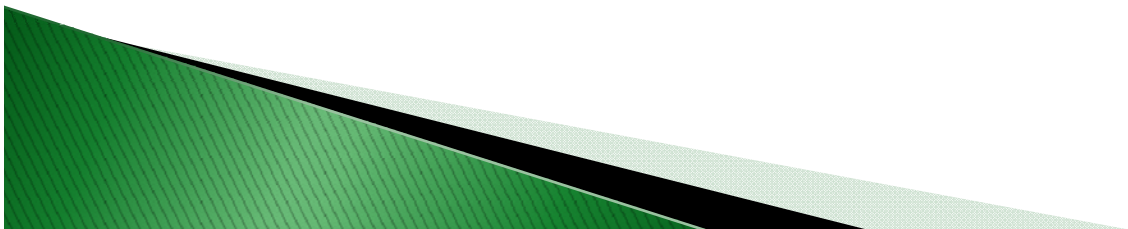
# ITEM 1: REDEMPTION OF 2002A PROGRAM

- ▶ \$12 Million Bonds Issued in 2002 to provide FHA loans at below market rates for first time homebuyers.
- ▶ Bonds may now be redeemed.
- ▶ Bond Rate = 5.76%
- ▶ \$1.2 Million Bonds Outstanding.
- ▶ Advantage is bonds will be redeemed in full and the Corporation will receive any excess funds after costs.
- ▶ Estimated cash release to Corporation of \$20,000.



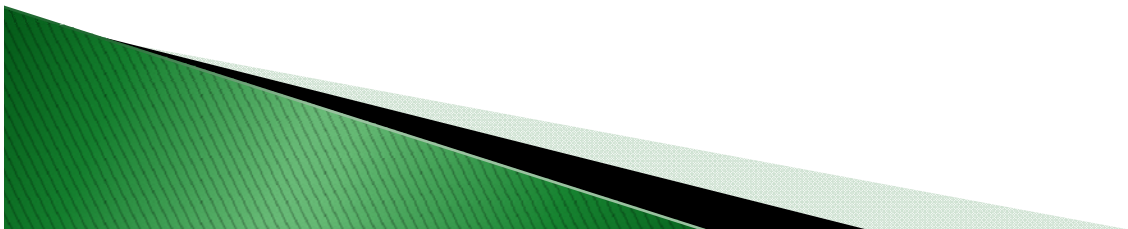
# REDEMPTION OF 2002A PROGRAM

- ▶ Next Steps
  - Formal Vote
  - Close on April 26, 2012



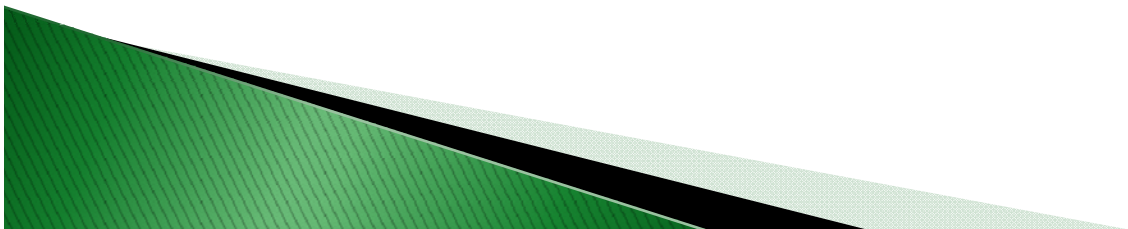
## ITEM 2: MORTGAGE CREDIT CERTIFICATE PROGRAM

- ▶ The Mortgage Credit Certificate (MCC) Program provides an annual non-refundable tax credit up to \$2,000 to the homebuyer as long as they live in the property and have a mortgage. The annual credit is calculated by taking the annual interest paid on the mortgage loan multiplied by 35% (mortgage credit certificate rate). It is a market rate program.
- ▶ An MCC reduces the amount of federal income tax a homeowner pays.



# MORTGAGE CREDIT CERTIFICATE PROGRAM

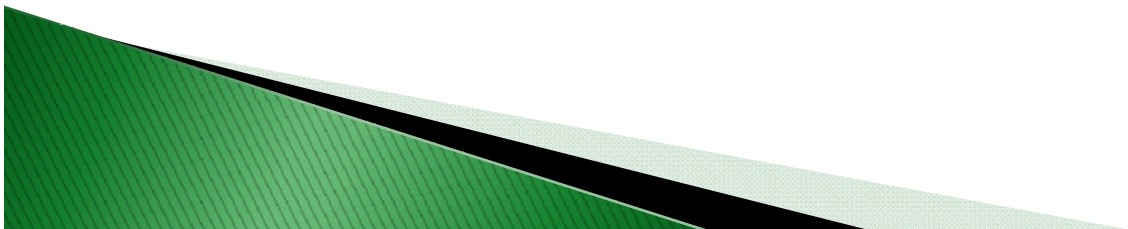
- ▶ FHA allows credit to be used for purposes of qualifying for a mortgage.
- ▶ Has the potential of saving a homebuyer thousands of dollars over the life of their mortgage loan. (not to exceed \$2,000 each year)



# MORTGAGE CREDIT CERTIFICATE PROGRAM

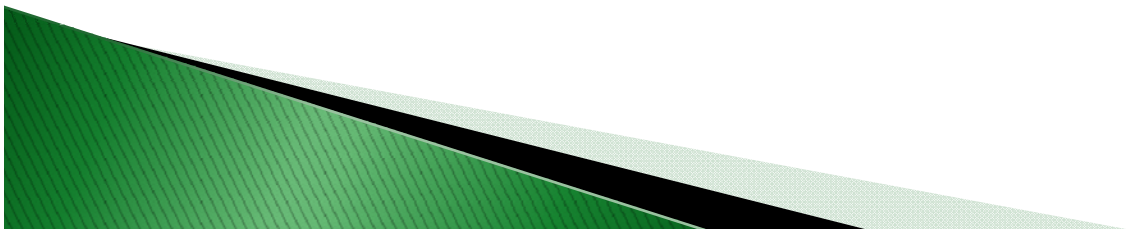
Example:

Home Loan Amount	\$140,000
Annual Interest Rate <i>(30-year, fixed)</i>	4.25%
Approx. Total Mortgage Interest Paid <i>(Year One)</i>	\$5,595.11
Mortgage Credit Certificate Rate	35%
Annual MCC Amount <i>(Line 3 x Line 4)</i> <i>(Subject to \$2,000/year max)</i>	\$1,958.29
Monthly Credit Amount <i>(\$1958.29 / 12)</i>	\$163.19



# MORTGAGE CREDIT CERTIFICATE PROGRAM

- ▶ A homebuyer claims the tax-credit on their annual tax return using IRS Form 8396.
- ▶ As long as the home is the principal residence of the homebuyer, the tax-credit can be claimed for the life of the mortgage loan as long as the homebuyer has the federal income tax liability to benefit from the annual tax-credit in any given year.
- ▶ The tax-credit may be used by a lender to assist the homebuyer in qualifying for a mortgage loan.



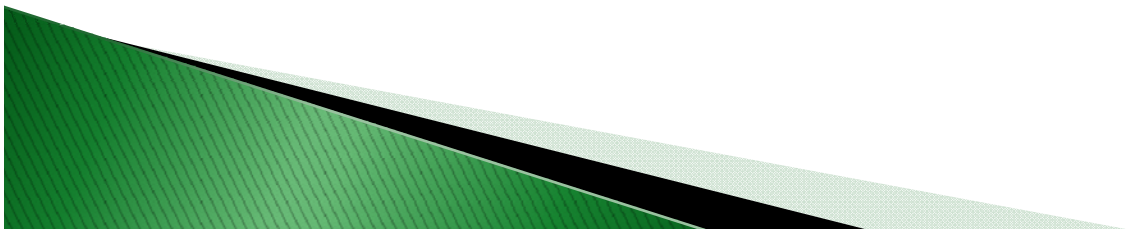
# MORTGAGE CREDIT CERTIFICATE PROGRAM

## 2012 MCC PROGRAM OUTLINE

- ▶ The first MCC can be made available 90 days from the date the issuer approves the Program and publishes a legal notice in the newspaper.
- ▶ Suggest utilization of \$15 Million of Private Activity Bond Cap for 2012 MCC Program.
- ▶ Based on usage of \$15 Million of Private Activity Bond Cap and a MCC tax-credit of 35%, the MCC Program will support \$10.7 Million in mortgage loan origination.
- ▶ Program Parameters:
  - First-time homebuyer requirement (cannot have owned a home in the last three years, except for Qualified Veterans, and for residences in federal target area census tracts).
  - Eligible homebuyers must meet standard loan underwriting guidelines.
  - Maximum income limits are \$70,100 for families of two or fewer, and \$80,615 for families of three or more.
  - Maximum sales price is \$247,032.
- ▶ The 2012 Collin County MCC Program would end at the earlier of full utilization or December 31, 2014.

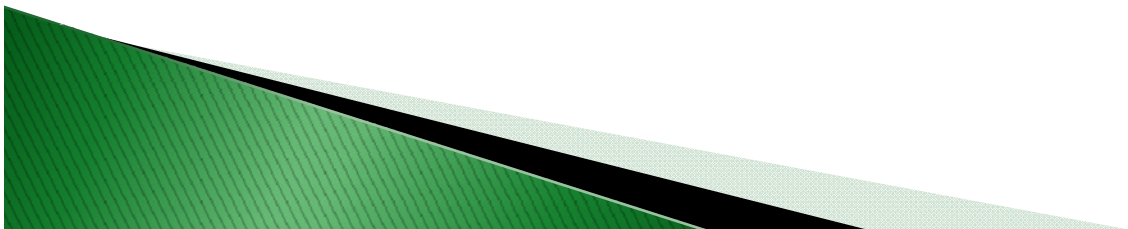
# MORTGAGE CREDIT CERTIFICATE PROGRAM

- ▶ **Housing Finance Corporation Responsibilities**
  - \$10,000 to pay for following:
    - Texas Bond Review Board Application and Closing Fees
    - Publication Fees
    - Legal Costs
  
- ▶ **Market Program**
  
- ▶ **The County will not have day to day responsibilities related to the Program nor any financial liability.**



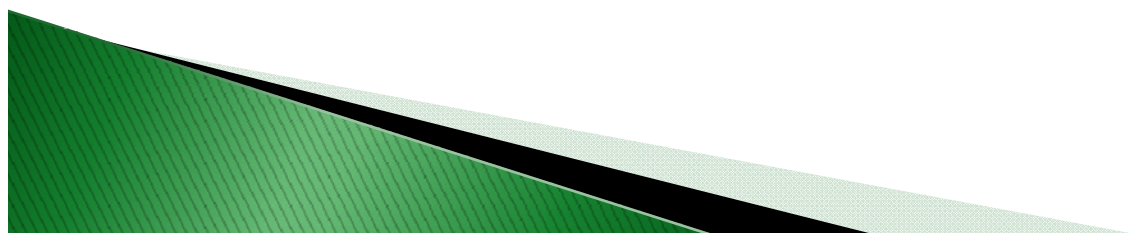
# MORTGAGE CREDIT CERTIFICATE PROGRAM

- ▶ Next Steps
  - Vote to approve MCC program.
  - Vote for specific program amount (\$15 Million).
  
- ▶ First Southwest & Bracewell & Giuliani then complete:
  - ▶ Post Required 90 day Program Notice in Paper.
  - ▶ Apply and Receive MCC Authority from Bond Review Board.
  - ▶ Complete Documentation.
  
- ▶ First Loan can close using the program 90 days from publication date. (estimated August 1)



# MORTGAGE CREDIT CERTIFICATE PROGRAM

## Exhibit A – Fact Sheet



# MORTGAGE CREDIT CERTIFICATE PROGRAM

## EXHIBIT A – FACT SHEET

### What is an MCC?

The MCC Program is a federal income tax credit program. An MCC entitles you to take a federal income tax credit equal to thirty-five percent (35%) of the annual interest you pay on your home mortgage. Because the MCC reduces your federal income taxes and increases your net earnings, it is a great help in qualifying for your first home mortgage. It increases the loan amount you qualify for **and** it increases your take-home pay. But it doesn't stop there. The MCC is registered with the IRS, and it continues to decrease your federal income taxes each year for as long as you owe amounts on your home mortgage. You must have a tax liability to benefit from the annual credit in any given year.

### How to Qualify

- ❖ Your household income and the purchase price must not exceed the limits shown below.
- ❖ You must not have owned a principal residence in the last three years unless you are purchasing a residence in a Targeted Area or are a Qualified Veteran.
- ❖ You must occupy the home as your principal residence.
- ❖ You must apply for the MCC through a participating Lender and pay a non-refundable MCC Application Fee.
- ❖ You must purchase a home within the Eligible Loan Area.

### MCC Program Limits

#### Maximum Income:

1 or 2 persons: \$70,100  
3 + persons: \$80,615

#### Maximum Purchase Price:

New & Existing: \$247,032

#### Eligible Loan Area

Collin County, Texas

### Targeted Census Tracts

Certain census tracts are designated as areas of chronic economic distress, or "Targeted Areas". Applicants who purchase homes in Targeted Areas do not have to be a first-time homebuyer. There are no Targeted Area Census Tracts located in the Eligible Loan Area.

### Recapture Tax

If you sell your home within nine years, you may have to pay a recapture tax. **Several conditions can exempt you from the recapture tax.** Call the Program Administrator or see your Lender for more details.

### Availability of Funds

Funds are currently available on a first-come first-served basis. If funds run out, it will be posted on the Program Administrator's website.

### How To Apply

- ❖ Choose a Lender enrolled in the Program to pre-qualify you for a loan and an MCC. See Lender list on the Program Administrator's website: [www.FSCHousing.com](http://www.FSCHousing.com).
- ❖ After finding a property and having the seller accept your offer, escrow will be opened. You may apply for an MCC only while escrow is open, NOT after your escrow has closed.
- ❖ Read and sign your MCC Application and Affidavit and other documentation that the Lender prepares and sends to the Program Administrator.
- ❖ If your MCC application is approved, the Program Administrator will issue your Lender an MCC Commitment and an MCC Closing Affidavit.
- ❖ Sign the MCC Closing Affidavit with the other closing documents at the end of escrow.
- ❖ Look for your MCC document in the mail within 30 days after escrow closing.

### Mortgage Financing

The Program does not place restrictions on the mortgage financing with regard to type, term or rate, except to require that the mortgage be a primary mortgage and to disallow refinancings unless issued to replace a construction period loan or bridge loan of a temporary nature. Also, no mortgages made from the proceeds of tax-exempt obligations are allowed.

### Program Fees

MCC Application Fee	\$100.00
MCC Closing Package Review Fee	\$250.00
MCC Issuance Fee	1.00% of the mortgage loan amount

The check for the above fees should be made payable to "First Southwest Company."

### Program Administrator

First Southwest Company administers the Program for the Collin County Housing Finance Corporation and may be contacted at (214) 681-3311.