

The Mortgage Credit Certificate (MCC) program can help you qualify for a mortgage loan by increasing your buying power at your current income.

The MCC program, authorized by Congress in the Tax Reform Act of 1984, provides assistance to first-time homebuyers for the purchase of owner-occupied single-family homes, townhomes, and condominiums through tax credits.

The federal income tax advantage provided by the MCC for a homebuyer who keeps the same mortgage loan and lives in the same house in San Francisco is equal to 15% of the mortgage interest paid annually on a dollar for dollar basis. This means the total of 15% of your mortgage interest is deducted directly from your annual tax debt. The remaining 85% of your mortgage interest is taken as a deduction from your gross income in the usual manner.

Most MCC homeowners adjust their federal income tax withholding (W-4) in order to receive the MCC benefit on a monthly basis. By reducing your monthly withholding, you will have more disposable (after-tax) income with which to make mortgage payments.

Property Eligibility

A MCC can be used to purchase any SF property however, there are extra benefits to purchasing a home in a targeted area. Target areas are designated by U.S. Department of Housing & Urban Development and the U.S. Treasury Department to encourage economic growth. Generally, these are areas where there is a need to stimulate development: urban cores, infill and other up-and-coming locations. They are defined by census tract

and other criteria. San Francisco has identified specific Census Tracts as “Target Areas”. The MCC allows greater flexibility for properties and homebuyers in Target Areas.

Your real estate agent or lender should be able to assist you in determining whether a particular home is within one of these census tracts. Or, if you already have an address, you can find out whether it is in a targeted area by entering the address at the following website: <http://www.ffiec.gov/geocode/>. You'll be able to get a census track number.

The following census tract numbers are designated as Target Areas:

<p>San Francisco County 106; 107; 113; 114; 115; 117; 118; 120; 121; 122.01; 122.02; 123.01; 124.01; 125.01; 125.02; 161; 179.02; 231.03; 603; 605.02; 607; 611; 9805.01</p>

Maximum Purchase Price

In order to qualify for the MCC program the home you are buying cannot exceed the following maximum sales prices:

Type of Property	Non-Target Area	Target Area
New Home (Not Previously Owned)	\$589,785	\$720,849
Existing Home (Resale)	\$589,785	\$720,849

Buyer Eligibility

A first time homebuyer is someone who has not owned interest in a home within the last three years. If you have claimed mortgage interest deductions on your tax return at any time during the previous three tax years you will not qualify. Please note that you do not have to be a first time homebuyer if you purchase the property in the target area and meet income requirements defined as follows.

Household Income

The total household income of all people residing in the property cannot exceed:

Size of HH	Non-Target Area	Target Area
1-2 Person	\$137,015	\$147,600
3 or more	\$157,568	\$172,200

Owner – Occupied Homes

MCC is not eligible for short or long term property rental. The program will require you to move into the residence that you are buying within 60 days of the date you close escrow.

MCC Application Fee

A NON-REFUNDABLE application fee of \$696 (cashier check) is payable to the City and County of San Francisco to process your loan package with the MCC tax credit benefit.

MCC homeowners can refinance their mortgage loans and still keep their tax credit by applying for a [Reissued Mortgage Credit Certificate \(RMCC\)](#) from a participating lender. The application fee is required for initial and reissued certificates.

The Fine Print

If you move before 9 years, you must repay the federal government a portion of the tax credit you received. This provision is administered by the Internal Revenue Service (IRS) and is called Recapture Tax.

NO RECAPTURE TAX IS DUE IF:

- ✓ The household income does not rise significantly over the life of the loan (generally more than 5% per year).
- ✓ The house is sold after nine years.
- ✓ There is no gain from the sale.

For more information regarding MCC Recapture Tax log on to:

<http://www.irs.gov/instructions/i8828/ch01.html#d0e58>
or consult with a professional tax preparer.

How do I get a MCC?

Choose a lender from the MOHCD list of MCC participating lenders on our website: <http://sfmohcd.org>. Your lender will determine if you are eligible, fill out the MCC application forms, and send them to the City. At the same time the lender is processing your mortgage loan application, the City reviews your MCC package to verify that you and your home qualify for the program. Upon confirming your eligibility, the City will issue your Mortgage Credit Certificate number and commitment.

Once you are issued your certificate and unique number, you will be allowed to take the appropriate income tax credit every year, as long as you keep the same home and the original first mortgage and continue to live in the property as your principal residence. If you refinance your mortgage and would like to continue receiving the mortgage credit, you must ask the lender to apply for a Reissued Mortgage Credit Certificate (RMCC).



We are not tax advisors. If you have any questions about how your taxes will be affected, consult your tax accountant or call the IRS 1-800- 829-3676.

**City and County of San Francisco
Mayor's Office of Housing and
Community Development
Edwin M. Lee, Mayor**



**Mortgage Credit Certificate (MCC)
For First Time Homebuyer**

**1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Tel. (415) 701-5500
Fax (415) 701-5501
<http://sfmohcd.org>**