

**CITY AND COUNTY OF SAN FRANCISCO
MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT**



**MORTGAGE CREDIT CERTIFICATE (MCC)
PROGRAM MANUAL**

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MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM

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SECTION I

INTRODUCTION TO THE MCC PROGRAM

A. PURPOSE OF THE MCC OPERATING MANUAL

The purpose of this Mortgage Credit Certificate (MCC) Manual is to describe the program and set forth the roles of the City and County of San Francisco Mayor's Office of Housing and Community Development (the "City"), the Participating Lenders, and the MCC applicants. This document contains a description of the MCC Program requirements, processing procedures and policies. The applicant, purchase price, and mortgage underwriting requirements as set forth in state and federal regulations are also described. MCC processing forms are included as exhibits to this document. The City may revise these guidelines from time to time. Notice will be given by the City only for significant program changes.

Participating Lenders are expected to be well informed about all local, state and federal requirements as set forth in this Manual. Both applicants and lenders alike must be aware of these requirements before a MCC application is accepted. A Lender shall disqualify those applicants where the submitted information indicates that the applicant or the home does not qualify for the program.

B. PROGRAM SUMMARY

The Mortgage Credit Certificate Program, authorized by Congress in the Tax Reform Act of 1984, is an alternative to mortgage revenue bond-backed financing as a means of providing financial assistance for the purchase of single-family housing by first time homebuyers. In 1985, California adopted legislation authorizing local agencies to make Mortgage Credit Certificate available in the state. This program is designed to benefit first time homebuyers. MCCs may not be issued for loans outside the City and County of San Francisco.

The following series of questions and answers summarize key aspects of the Program.

What is MCC?

MCC is a certificate awarded by the City authorizing the holder to take certain federal income tax credits. A recipient who is awarded MCC may take an annual credit against federal income taxes of up to fifteen percent (15%) of the annual interest paid on the recipient's mortgage. The value of the MCC must be taken into consideration by the mortgage lender in underwriting the loan and may be used to adjust the applicant's federal income tax withholding. This adjustment will result in an effective reduction in monthly housing costs, and therefore, an increased ability of the Applicant to afford a mortgage payment.

What is the difference between a "tax credit" and a "tax deduction"?

A "tax credit" entitles a taxpayer to subtract the amount of the credit from his/her total federal income taxes owed, allowing the taxpayer to receive a dollar for dollar tax savings. This is different from a "tax deduction" which is subtracted from the adjusted gross income before federal income taxes are computed. With a deduction, only a percentage of the amount deducted is realized in savings.

How does the MCC "reduce" the mortgage interest rate?

An MCC reduces the amount of federal income taxes owed, thus increasing the qualified homebuyer's spendable income to help qualify for a loan or to make the monthly mortgage payments.

For example, a homebuyer with a 3.75% fixed rate 30-year mortgage of \$300,000 would pay approximately \$11,250 in interest payments for the first year. With a MCC, up to \$1,687.50 (15% of \$11,250) of the payments could be allowed be taken as a tax credit toward the applicant's federal income tax liability. This would effectively reduce the monthly mortgage payment, giving the Applicant greater ability to qualify for and make payments on a mortgage loan.

By increasing the purchasing power, the MCC has the economic effect of reducing the interest rate on the mortgage. As shown in the illustration below, an MCC effectively reduces the mortgage interest rate. It is important to realize, however, that the total effect is achieved only when the MCC holder has sufficient income tax liability to receive the entire benefit of the MCC tax credit.

EFFECTIVE INTEREST RATES WITH & WITHOUT AN MCC

	<u>NO MCC</u>	<u>MCC</u>
a) Mortgage Amount	\$300,000	\$300,000
b) Interest Rate	3.75%	3.75%
c) Term	30	30
d) Monthly Principal Payment:	\$451.85	\$451.85
e) Monthly Interest Payment:	\$937.50	\$937.50
f) MCC Rate	N/A	15%
g) Monthly Credit Amount	N/A	\$140.63
h) "Effective" Monthly P & I	\$1,389.35	\$1,248.72
i) "Effective" Interest Rate	3.75%	2.90%

Note: The effective interest rate is calculated by applying the reduced monthly payment to the original loan amount and term.

What happens to the tax deduction for mortgage interest when homebuyer uses an MCC?

When using the MCC tax credit rate, the applicant is still eligible to deduct the remaining 85% of the annual mortgage interest payment not claimed as a credit. For example, assume the homebuyer pays \$11,250 for the first year in mortgage interest. With a 15% MCC, the homebuyer could take a credit of \$1,687.50 (15% of \$11,250), and a mortgage interest tax deduction of \$9,562.50 (85% of \$11,250).

How does the MCC credit work?

The MCC reduces the amount of federal income taxes otherwise due to the federal government from the applicant; however, if the credit is greater than the applicant's tax liability, the IRS will not make cash payment. Therefore, the benefit to the applicant in a given year cannot exceed the amount of federal taxes owed for the year, after other credits and deductions have been taken into account.

What happens if a qualified homebuyer cannot use the entire amount of the MCC credit in any one year?

If the amount of the MCC credit exceeds the applicant's tax liability, the unused portion of the credit can be carried forward for the next three tax years or until used, whichever comes first. The applicant must keep track of the unused credit by year. The current year credit is applied first and the "oldest" credit is used next.

How does the homebuyer realize the increase in "home buying power"?

The applicant may consider adjusting his or her federal income tax withholding to receive the benefit from the credit on a monthly basis. In this case, the homebuyer will re-file a W-4 form with his or her employer reflecting the MCC credit. By taking this action, the number of exemptions will increase reducing the amount of taxes withheld, thereby increasing the applicant's disposable income.

The applicant also has the option of waiting until the end of the year to realize the tax credit savings in one lump sum when filing the federal income tax returns.

Regardless of whether the homebuyer adjusts the W-4 form or not, the tax credit will have to be listed when filing the federal income tax returns.

How does a homebuyer apply for an MCC?

Potential Applicants may apply through Participating Lenders. The Applicant applies to the lender for the mortgage credit certificate at the same time he/she makes a formal application for a mortgage loan. Lenders vary in their requirements for mortgage loan application, but generally the Applicant should be ready to supply credit information, employment data and other information to the Lender.

What kinds of properties are eligible?

A MCC can be used for new and existing single-family homes including single-family detached homes, condominiums, or townhouses in the City and County of San Francisco. The residence must become the principal residence of the applicant not later than 60 days after the MCC has been issued.

What loans can be used with the MCC?

MCCs must be used with 30 year fixed rate fully amortizing loans. Fixed-rate loans include FHA and VA loans, FNMA and FHLMC loans. MCCs are not available with bond backed loans such as California Housing Finance Authority (CalHFA) or Cal Vet bond loans.

The City does not underwrite the loans. Lenders will process the underlying mortgages using standard procedures, taking into account the value of the MCC in qualifying Applicants.

What are the MCC Eligibility Requirements?

- **First-Time Homebuyer Requirement:** Except in a Targeted Area, the MCC Applicant cannot have had an ownership interest in a Principal Residence at any time in the past three years.
- **Income Requirement:** In order to qualify for an MCC, the Applicant's household income must be below the following limits:

<u>Household Size</u>	<u>Non Targeted Area</u>	<u>Targeted Area</u>
1-2 persons	\$155,464	\$175,920
3+ persons	\$178,784	\$205,240

Purchase Price Requirement: The Purchase Price of the house must be below the following amounts:

<u>Property Type</u>	<u>Non Targeted Area</u>	<u>Targeted Area</u>
Existing units (resale)	\$668,923	\$817,573
New units (never previously occupied)	\$668,923	\$817,573

Location: The property to be purchased must be within the City and County of San Francisco.

How many MCCs will be available under the Program?

The size of the City's Program depends on the amount of allocation made available by the California Debt Limit Allocation Committee. In 2019, CDLAC approved approximately \$5.5 million in allocation for San Francisco, an adequate amount to assist about 25 homebuyers.

What is "Recapture?" How does it affect the Program?

"Recapture," or the recapture tax, is a supplemental federal income tax to which MCC recipients may be subject if they sell the house they purchased with MCC assistance within nine years of such purchase. The recapture tax is designed to "recapture" some of the financial benefit of the MCC if (1) the recipient's household income has risen significantly and (2) the value of the purchased house has risen. The amount of recapture tax, if any, cannot be known until the time of sale of the house. A detailed disclosure form and description of recapture is included in form MCC-8.

C. DEFINITIONS

As used in this MCC Program Manual and all MCC Program documents, unless the context requires otherwise, the following words and terms have the meanings set forth below:

Acquisition Cost: has the meaning given that term under Section 143(k)(3) of the Internal Revenue Code and the regulations thereunder. Acquisition Cost is used interchangeably with Purchase Price.

Affidavit: means an affidavit filed in connection with the program made under oath and subject to penalties of perjury.

Applicant: Any person who applies for a MCC under the Program.

<u>Close of Escrow:</u>	means the date the loan is recorded at the City Recorder's Office.
<u>City:</u>	The City and County of San Francisco acting through the Mayor's Office of Housing and Community Development.
<u>Date of Issue:</u>	The date the MCC is signed and executed by the City.
<u>Eligible Applicant:</u>	Any person meeting the criteria for an eligible applicant set forth in this Manual who is in the process of securing financing for the purchase of a Principal Residence.
<u>Eligible Dwelling:</u>	Real property located in the City and County of San Francisco which includes: (1) A residential unit yet to be built, (2) New Home (not previously occupied), or (3) Existing Home (which <u>has</u> been previously occupied); designed as a residential unit for one or two households, and which meets the criteria set forth in Section II of this Manual. No more than 15% of an eligible dwelling (i.e., based on useable square footage) can be used for purposes other than a principal residence (i.e., office, rental, etc.).
<u>Existing Home:</u>	means a dwelling unit that has been previously occupied prior to loan commitment.
<u>First Time Home Buyers:</u>	means those persons who have not had an ownership interest in a "Principal Residence" within the last three years prior to applying for the MCC.
<u>Household:</u>	The mortgagor or mortgagors and their legal dependents (for federal income tax purposes) who will be residents of the home for which the MCC is to be issued.
<u>Income:</u>	The gross income of a mortgagor (or mortgagors) (as defined by Revenue Ruling 86-124) promulgated by the Internal Revenue Service is the mortgagor's annualized gross income. Annualized gross income is gross monthly income multiplied by 12. Gross monthly income is the sum of monthly gross pay: any additional income from overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, Veterans Administration (VA) compensation, net rental income, etc. and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments). Information with respect to gross monthly income may be obtained from available loan documents executed during the four month period ending on the date of the closing of the mortgage, provided that any gross monthly income not included on the loan documents must be included in determining gross monthly income. The income to be taken into account in determining gross income is income of the mortgagor (or mortgagors) and any other person who is expected to both (1) live in the residence being financed and (2) to be secondarily liable on the mortgage. If the co-applicant, co-signer or co-habitor meets both requirements in the sentence above, include his/her income in your gross income calculations. Income includes the income of both spouses.
<u>Loan:</u>	A mortgage loan to which an MCC applies. The loan is provided to an Eligible Applicant to finance the purchase of an Eligible Dwelling which meets the City requirements set forth in this Manual.
<u>MCC Program Or The Program:</u>	The Mortgage Credit Certificate Program established and administered by the City pursuant to the rules and regulations included in this MCC Program Manual.
<u>Mortgage Certificate Rate:</u>	The rate specified by the City in the MCC. For this Program, the mortgage certificate rate is 15% for all MCCs.
<u>Mortgage Credit Certificate:</u>	A certificate issued by the City pursuant to Section 25 of the Internal Revenue Code of 1986, as amended and applicable state and local requirements.
<u>New Home:</u>	A single family dwelling unit (including a condominium or a townhouse) that is proposed to be constructed, currently under construction, or existing but not previously occupied.

New Mortgage Loan: A new mortgage originated in conjunction with an MCC; a mortgage that has not been transferred or assumed.

Ownership Interest: Any of the following interests in residential real property:

- Community property interest,
- Fee simple interest,
- Joint tenancy,
- Tenancy in common,
- Interest of a tenant shareholder in a cooperative,
- Life estate,
- Interest held in trust for the Applicant that would constitute a present ownership interest if held by the Applicant.

Ownership does not include a remainder interest, a lease with or without an option to purchase, an expectancy to inherit an interest in a Principal Residence, or any interest acquired on the execution of the purchase contract.

Participating Lender: A financial institution which is licensed to do business in the State, has met all of the requirements established by the City to participate as a Lender in the MCC Program, and has entered into a MCC Participation Agreement and pay participation fee to the City.

Principal Residence: (1) A single family detached house; (2) a condominium unit; and (3) stock held by a tenant-stockholder in a cooperative housing corporation (as those terms are defined in the Internal Revenue Code Section 216(b)(1) and (2). Principal residence does not include recreational vehicles, campers, and other similar vehicles. It does not include property such as an appliance, furniture, or other personal property, which, under applicable local law, is not a fixture. The Applicant must expect to occupy the Principal Residence substantially all of each year.

Prohibited Mortgage: A mortgage financed by a qualified mortgage bond or a qualified veteran's mortgage bond, and variable rate, graduated payment loans are prohibited.

Purchase Price: The cost of acquiring the residence, excluding usual and reasonable settlement or financing costs, and excluding the value of services performed by mortgagor in completing the acquisition of the residence.

Related Person: A "related person," as that term is defined under the Internal Revenue Code and applicable regulations: siblings, spouses, ancestors and lineal descendants or entities that are more than 50% owned by the Applicant or any other Related Persons.

Single-Family and Owner-Occupied Residences: A housing unit intended and used for occupancy by one household.

TARGETED AREA: The following Census Tracts numbers are designated as targeted area in the City and County of San Francisco. To find out the census tract number of a property, go to the website:
<http://www.ffiec.gov/Geocode/default.aspx>

North Beach/Marina: 107, 113, 114, 115, 118
North of Market: 117, 124, 125
South of Market: 607
Western Addition: 161
Bayview/Hunter Points: 231
Visitacion Valley: 605

SECTION II

PROGRAM REQUIREMENTS

A. OVERVIEW

For loans involving MCCs, conventional underwriting standards will be modified to reflect recognition of the MCC-derived mortgage interest credit in determining housing expense and indebtedness ratios. Some secondary mortgage market participants (e.g. FHA, FNMA, FHLMC) and the mortgage insurance industry have established specific underwriting policies for MCC-linked loans.

The Applicant, Purchase Price, and loan underwriting requirements discussed in this section are incorporated in the MCC Program documents that are contained as exhibits to this manual. All Applicants and Program participants must complete and sign the appropriate MCC Program documents and attest to their validity. The Lender will be required to submit certifications on which it will state that to the best of its knowledge material misstatements do not appear in the MCC application and other MCC Program documents. If the Lender becomes aware of Applicant misstatements, whether negligently or willfully made, it must notify the City immediately. The City will take all appropriate actions to enforce Program requirements.

The Lender should also be aware and inform the Applicant that penalties are provided by federal and California law if a person makes a false statement or misrepresentation so as to obtain participation in this Program. In an attempt to assure that all requirements are clear, a MCC Application (MCC-1) is required of each Applicant and must be included in the MCC package submitted to the City.

The MCC cannot be used with bond-backed mortgages (e.g. CalHFA and Cal Vet Programs) and variable rate, graduated payment mortgages. The MCC Program imposes financing arrangements in that the mortgage underwriting used by the Participating Lender must take into account the value of the MCC. The MCC Program only allows the use of 30-year fixed-rate fully amortizing mortgage instrument being generally used in the conventional marketplace.

B. APPLICANT ELIGIBILITY REQUIREMENTS

As in any conventional mortgage loan program, the Applicant must meet credit and underwriting criteria established by the Participating Lender providing the mortgage loan, taking into account the value of the MCC.

Based on applicable federal and state regulations, in order to qualify for an MCC, an applicant must also meet the following requirements:

1. **Except in the Targeted Area, the Applicant cannot have held an ownership interest in a Principal Residence within the past three years.** Except in the Targeted Area, the Applicant applying for an MCC cannot have had a present ownership interest in a Principal Residence at any time during the three year period ending on the date the mortgage is executed. This requirement qualifies the applicant as a "first-time homebuyer" under federal law. The Lender must obtain from the applicant an affidavit to the effect that the applicant had no ownership interest in a Principal Residence at any time during the three-year period prior to the date on which the mortgage relating to MCC is executed. This must be verified by the Lender's examination of the applicant's federal tax returns for the preceding three years, to determine whether the applicant has claimed a deduction for mortgage interest or taxes on a Principal Residence.

To demonstrate compliance with this three year requirement, Applicant(s) must complete and sign the MCC Program affidavit and provide copies of their last three (3) years signed federal tax returns (or acceptable alternative exhibits - see below).

- a. If the Applicant(s) can produce copies of the signed 1040A, 1040EZ, or 1040 federal income tax returns for the three preceding years with all schedules and W-2 forms which show no deductions for mortgage interest or real estate taxes for a Principal Residence, these forms shall be submitted to the Lender, and forwarded to the City with the MCC Affidavit and the complete MCC Submission Package. If the Applicant filed the 1040

Long Form and cannot produce an original copy of the signed tax returns, then the Applicant can request a copy of the returns from the IRS by using IRS Request Form 4506T.

- b. If the Applicant(s) has filed the short form 1040A or 1040EZ for the last three (3) years, completes and signs the required affidavits, but is unable to produce the signed returns, the City will accept a letter from the IRS verifying the filing status of the Applicant. The letter should confirm that the Applicant filed the 1040A or 1040EZ for the years in question. The Applicant can request tax account information, which is available free of charge, from the local IRS office. This information will be provided on IRS Letter Form 1722 and will include: (1) name and social security number; (2) type of return filed; (3) marital status; (4) tax shown on return; (5) adjusted gross income; (6) taxable income; (7) self-employment tax; and (8) number of exemptions. If the address on the tax returns filed is different than the current address, the Applicant should also provide a handwritten note (signed by all Applicants) indicating that the previous returns had been filed at a different address.

The tax account information should be requested, in person, from the IRS office. The Applicant will not receive a response on the spot but can expect a written reply within (15) fifteen days. The tax returns must have an original signature certifying that "this is a true and exact copy of the returns submitted to IRS."

- c. In the event the Applicant(s) was not obligated to file federal income tax returns for any of the preceding three (3) years, it will be necessary for the Lender to obtain from the Applicant(s) a completed and signed Income Tax Declaration which is required in place of (a) or (b) above, along with the other Program Affidavits. This document is to be forwarded to the City with the Application Affidavit and the Lender Initial Certification. The Income Tax Declaration must be accompanied by documented proof of the reason for not filing tax returns. For example, if the Applicant was in school, he/she would have to submit a copy of transcripts to support the status of the Applicant for that period of time. Affidavit must also be accompanied by documented proof that the Applicant was a renter during the specified period (i.e., notarized letter from the landlord or manager, canceled checks, or rent receipts).
- d. When an MCC application is submitted during the period between January 1 and April 15 and the Applicant has not yet filed his/her Federal income tax return for the preceding year with the IRS, the City may, with respect to such year, rely on an Income Tax Declaration of the Applicant along with a copy of last paystubs or W-2 form that the Applicant is not entitled to claim deductions for taxes or interest on indebtedness with respect to property constituting his/her Principal Residence for the preceding calendar year. The Income Tax Declaration must be forwarded to the City with the commitment package. The applicant must submit a copy of the tax return for the preceding year before the City issues the MCC.
- e. If the tax returns indicate the Applicant took a deduction for mortgage interest or real estate taxes on property claimed not to be the Principal Residence, documentation would be required to show proof of rental (i.e., rent receipts, canceled checks).

The Lender is cautioned that in the above noted situations involving issuance of a conditional MCC Commitment, the Lender may be closing the loan without the benefit of the City review of the certified tax returns prior to closing. In the event the certified tax returns do show a deduction for interest or taxes on a Principal Residence, or in the event the certified tax returns are not obtained; the City will not issue the MCC. The Lender, at its option, may forward federal tax return exhibits to the City for review prior to loan closing.

2. **The MCC Applicant must occupy the acquired residential housing as a "Principal Residence"**. The Applicant must use the housing being purchased with the MCC-linked mortgage as a Principal Residence. The Lender must obtain from the applicant, using the Program Affidavits, a statement of the applicant's intent to use the residence as his/her Principal Residence within a reasonable time (60 days) after the MCC is issued. This affidavit further states that the MCC holder will notify the Lender and the City if the residence ceases to be his/her Principal Residence.

3. **Qualified Applicants must have an annual gross household income not to exceed the following limits:**

<u>Household Size</u>	<u>Non Targeted Area</u>	<u>Targeted Area</u>
1-2 persons	\$155,464	\$175,920
3+ persons	\$178,784	\$205,240

Under Rev Rule 86-124, annualized gross income is calculated prospectively, by taking the Applicant's current gross monthly income (at time of application) and multiplying this income by 12. Gross income includes the gross amount, before payroll deductions, of wages (including part time), salaries, commissions, overtime pay, net rental income, fees, tips, and bonuses; dividends and interest, including otherwise tax-exempt interest; alimony; child support; public assistance; Veterans Administration compensation; etc. The gross income qualifying is pursuant to the HUD Section 8 Program guidelines. The income to be taken into account in determining gross income is income of the mortgagor (or mortgagors) and any other person who is expected to both (1) live in the residence being financed and (2) to be secondarily liable on the mortgage. If the co-applicant, co-signer, or co-habitor meets both of the requirements in the sentence above, his/her income must be included in gross income calculations. Income includes the income of both spouses.

Annualized gross income should reflect the Applicant's situation after purchase of the property. Thus interest income from savings which will be drawn to purchase the property should not be considered, as available; but rental income anticipated from the property should be included in prospective income.

Self-employed or seasonal employees.

For specific instances (such as self-employed or seasonal persons), the Applicant's monthly gross income information can be taken from the available loan documents executed during the four-month period ending on the date of the closing of the mortgage provided that any income not included in the loan documents must be included for the Program. Thus, for example, if the mortgagor does not include alimony on the loan documents the Lender, in determining gross monthly income, must determine the amount of alimony and add that amount shown on the loan documents. Under these circumstances, the formula that the Lender uses in determining the gross monthly income of self-employed persons and/or seasonal workers is acceptable as long as the Lender includes any other income sources that are required to be added.

Income of co-applicant/co-mortgagor.

The IRS revenue ruling states that "income to be taken into account in determining 'gross income' is income of the mortgagor (or mortgagors) and any other person who is expected to both live in the residence being financed and to be secondarily liable on the mortgage (including both spouses if a married couple)." The first part of the revenue ruling specifies that the income of any and all mortgagors (those persons with an ownership interest in the residence whose names appear on the deed to the residence and on the deed of trust) shall be included in the gross income calculations. Secondly, the regulation specifies that the income of any other person who is expected to both live in the residence being financed and to be secondarily liable for the mortgage must also be included in the gross income calculation for eligibility.

In summary:

- *Income* of all mortgagors shall be included in gross income calculation for the Program;
- Income of anyone else who will both live in the residence and be secondarily liable on the mortgage shall be included;
- Income does not have to be included if there is a cosigner who signs only the note or a separate personal guarantee, is not on the grant deed, and will not live in the residence;
- Income of residents of the property who are not secondarily liable on the mortgage does not need to be included (however, if such residents pay rent to the mortgagor, the rent payment must be included as income);

- If a co-mortgagor is not going to live in the residence and is not named on the deed to the residence, he or she is not required to meet the first-time homeownership requirement;
 - Non-occupant co-mortgagors will need to be listed on the MCC application, but will not be eligible for the tax credit. The income of the non-occupant co-mortgagor must be included in the household income calculation.
4. **The MCC may be automatically revoked if the Applicant fails to comply with Program requirements.** An MCC may be revoked under certain circumstances (Please see Section IV.D. for a detailed list of causes for revocation). For example, revocation occurs if the residence to which the MCC relates ceases to be the applicant's Principal Residence.
 5. **Strict penalties may be imposed on any Applicant making a material misstatement, misrepresentation or committing a fraudulent act on documents submitted to obtain a MCC.** Any person making a negligent or fraudulent material misstatement or misrepresentation in any affidavit or certification made in connection with the application for or the issuance of an MCC shall be subject to all applicable fines and penalties.

C. **PURCHASE PRICE REQUIREMENTS**

The applicant must comply with the following Purchase Price limits in order to qualify:

1. **NEW (NEVER PREVIOUSLY OCCUPIED) HOUSING UNITS**, the maximum Purchase Price of a single-family unit in Targeted Areas may not exceed \$817,573. The maximum Purchase Price of a single-family unit in Non-Targeted Areas may not exceed \$668,923
2. **EXISTING, (RESALE) HOUSING UNITS**, the total maximum Purchase Price of a single-family unit in Targeted Areas may not exceed \$817,573. The maximum Purchase Price of a single-family unit in Non-Targeted Areas may not exceed \$668,923

Furthermore, the mortgage amount cannot exceed the maximum Purchase Price limits.

The Lender must obtain the Seller's Affidavit executed by the seller which states that the Purchase Price requirements have been met. The affidavit includes an itemized list of: (i) any payments made by the buyer or for the benefit of the buyer; and (ii) an estimate of the reasonable cost of completing construction of the residence if it is incomplete.

D. **MORTGAGE REQUIREMENTS**

1. **New Mortgage Requirements:** A MCC may only be issued in conjunction with a New Mortgage Loan. The Lender must obtain from the Applicant, using the Program affidavits, a statement to the effect that the mortgage being acquired in connection with the MCC will not be used to acquire or replace an existing mortgage or land contract. A MCC Commitment must be issued before the new mortgage loan close.
2. **Prohibited Mortgages:** MCC cannot be used in direct or indirect connection with a qualified mortgage bond or a qualified veteran's mortgage bond, and variable rate, or graduated payment mortgages. The Lender must obtain from the applicant, using the Program affidavits, a statement to the effect that no portion of the financing for acquisition of the residence in connection with which the MCC is issued is provided from a qualified mortgage or veteran's bond.
3. **No Interest Paid to Related Persons:** No interest on the mortgage (or certified indebtedness) amount may be paid to a person who is a "related person," as that term is defined under the Internal Revenue Code and applicable regulations. The Lender must obtain from the applicant, using the Program affidavits, a statement to the effect that no related person has or is expected to have, an interest as a creditor in the certified indebtedness amount.
4. **Transferability:** Under the San Francisco MCC program, the Mortgage Credit Certificate is not transferable.

SECTION III

PROGRAM PROCEDURES

In general, eligible homebuyers apply for MCCs in connection with normal mortgage loan application procedures. The MCC application must be filed in conjunction with an application for a mortgage from one of the Participating Lenders in the San Francisco MCC Program.

The MCC processing procedures are designed to coincide with the standard mortgage loan processing and underwriting procedures that are in place at most mortgage lending institutions. Recognizing there are procedural variations among the Participating Lenders, the procedures outlined here are meant to serve as guidelines with respect to the sequence of events. However, all the elements of the processing sequence outlined in this Manual must at some point be completed, regardless of sequence, by the Lender, the City, the applicant, and the seller.

The City and County of San Francisco, Mayor's Office of Housing and Community Development is the designated Program Administrator of Mortgage Credit Certificates for the City of San Francisco MCC Program. The City may delegate part of its administrative functions to Participating Lenders through the Lender Participation Agreement.

Figure III-1 presents a schematic outline of the MCC application and delivery process.

Figure III-1

MCC PROGRAM PROCESS

Phase I

Commitment

Phase

- **Applicant:**
 - Enters into purchase contract.
 - Applies to participating lenders for Loan & MCC and pays an application fee, in the form of cashier's check or money order, make check payable to City and County of San Francisco
 - Signs, dates and submits MCC Application (MCC-1) to lender.
 - Receives and signs a copy of Certificate of Receipt of Recapture Notice (MCC-1a) from lender.

- **Lender:**
 - Perform Standard Lender Underwriting
 - Submits to City (upload to DAHLIA):
 - MCC Application (MCC-1),
 - Certification of Recapture Notice (MCC-1a),
 - Lender Certification of Application Eligibility (MCC-2)

 - Copy of Verification of Employment,
 - Copy of three most recent paycheck Stubs,
 - Complete set of Federal Income Tax Returns and W-2's form for the last 3 years, or IRS Form Letter 1722 (signed and dated)
 - Income Tax Declaration(MCC-3)
 - MCC Commitment (MCC-4).
 - Copy of Purchase Contract,
 - Copy of Loan Application (1003 Form, Signed & Dated)
 - Copy of Uniform Underwriting and Transmittal Summary (1008 Form)
 - An application fee, in the form of a cashier check, make check payable to City and County of San Francisco.

- City:
 - Reviews eligibility.
 - Signs and returns Commitment (MCC-4) within 5 working days of receipt of a complete package. (Commitment will be valid for 90 days from the date issued).
 - Confirms receipt of complete application by email within 3 working days. Incomplete package will be deleted from our system.

Phase II

Closing Phase

Applicant

Mortgage Broker or
Funding Lender

- Signs Buyer Closing Affidavit (MCC-6) , Recapture Notice (MCC - 8) and Restricted Use Affidavit.
- Completes close of escrow documents and forward to City.
- Completes Recapture Notice and Computation Worksheet (MCC-8) for homebuyer, buyer must receive a copy of MCC-8.
- Approves loan.
- Close escrow.
- After the escrow is closed, submits the following MCC forms with original signatures to City:
 - Seller Affidavit (MCC-5).
 - Buyer Closing Affidavit (MCC-6)
 - Lender Closing Certificate (MCC-7).
 - MCC Recapture Notice and Computation Worksheet (MCC-8)
 - Certified copy of master settlement statement.

- City
 - Reviews all closing MCC forms.
 - Issues Mortgage Credit Certificate and transmits it to homebuyer (copy to lender or mortgage broker).

Phase III
Monitoring

- Lender See section 3.6 Lender Responsibility.

Following are the loan processing and program administration activities for the MCC Program:

A. **PHASE I COMMITMENT**

Applicant:

1. With a purchase contract in hand, potential Applicant goes to Participating Lender.
2. Applicant applies for a mortgage loan from a Participating Lender and remits a **non-refundable** MCC application fee in the form of cashier check or money order, payable to City and County of San Francisco.
3. As part of the mortgage application process, the Lender directs applicant to sign the MCC Application (MCC-1). This document serves as the application and contains all the certifications and affidavits required by the MCC Program regulations and requirements as follows:
 - a. Certification that residence will be used as Principal Residence and that the City certificate holder must notify the City and the Lender when the home ceases being the Principal Residence of the MCC Certificate holder.
 - b. Certification that applicant has not had an ownership interest in a Principal Residence during proceeding 3-year period (not required for a targeted area).
 - c. Certification that the Purchase Price does not exceed Purchase Price limits.
 - d. Certification that the Mortgage Loan does not relate to the acquisition or replacement of an existing mortgage.
 - e. Certification that the loan applied for does not constitute a Prohibited Mortgage.
 - f. Certification that the applicant was not forced to apply through a specific lender.
 - g. Certification that applicant's income does not exceed permitted income limits.
 - h. Certification that no interest with respect to the mortgage loan is being paid to a Related Person.
 - i. Certification that the MCC cannot be transferred without the prior written approval of the City in accordance with Program requirements.
 - j. Acknowledgment that any material misstatement or fraud is made under penalty of perjury.
4. Applicant signs MCC (1a) Certificate of Receipt of Recapture Notice.

Lender:

1. Lender preliminarily determines that applicant is specifically eligible under the published City first time homebuyer income and Purchase Price limitations.
2. Lender gives applicant the brochures that explain the Program and contain consumer information.
3. Lender determines if mortgage loan Applicant is an eligible candidate for a MCC; based on preliminary indications of income, Purchase Price, prior homeownership, tax liability and other factors.

4. Lender performs standard mortgage loan underwriting procedures, but takes into consideration the effect of the MCC when determining the net amount of the monthly housing payment. Lender determines acceptability of loan in accordance with applicable FNMA, FHLMC, FHA, VA, and/or private mortgage insurance standards and/or underwriting guidelines.
5. Lender performs standard verification for loan underwriting. In conjunction with Lender's regular verification process and under the agreement with the City, the Lender performs a reasonable investigation to verify that all MCC Program requirements have been satisfied. Lender may verify these facts in any reasonable, efficient manner, according to standard industry practices for processing mortgage loan applications.
6. Lender verifies that the applicant, the home and the mortgage transaction comply with MCC Program restrictions on Income, Purchase Price, and other Program terms.
7. Lender completes all other standard underwriting and verification procedures.
8. In order to obtain an MCC Commitment, the Lender must submit several documents to the City (see list below). Original documents must be sent to the City, except as otherwise indicated. The Lender must review documents to determine their completeness in accordance with the terms of this MCC Program Manual. Reasonable efforts should be undertaken to verify the information given, either independently or concurrently with underwriting procedures. The Commitment documents include all the necessary certifications and Affidavits to meet Program requirements. Lender forwards to the City completed and executed copies of the following documents:
 - a. MCC-1 MCC Application
 - b. MCC-1a Certificate of Recapture Notice
 - c. MCC-2 Lender Certification of Applicant Eligibility - certifying that the Lender has performed reasonable investigation to make the determinations mandated by the MCC Program. In addition, the Lender certifies that all local, federal and state eligibility requirements are satisfied and that the Lender's loan fees are reasonable relative to the fees charged by that Lender on other non-MCC mortgage loans. The MCC-2 form must sign by a Lender representative who has attended San Francisco MCC training.
 - d. Federal Income Tax Returns for previous three years with W-2 forms and original signature and certification that "it is a true and exact copy of what was submitted to the IRS." If applicant has lost a Tax Return, applicant must complete IRS Form 1722. If Applicant was not required to file tax returns for any of the previous three (3) years, Applicant must complete the Income Tax Declaration (MCC-3).
 - e. Copy of verification of employment.
 - f. Copy of three most recent paycheck stubs.
 - g. An application fee in the form of a cashier check, made payable to City & County of San Francisco
9. During the Commitment Phase, Lender must immediately notify the City in writing of cancellations of commitment. The reason for cancellation must be clearly stated.

City Review of the Submission Package

1. The City confirms by fax receipt of complete commitment package within 3 working days.
2. The City reviews the MCC Submission Package for completeness and determines whether all necessary certifications and affidavits are included and properly executed.
3. If the City determines the MCC Submission Package is completed properly and that the Applicant(s) and the

transaction are in compliance with Program provisions, the City issues an MCC Commitment Letter to the Lender stating that the Application is approved and the City is prepared to issue an MCC upon confirmation of the mortgage closing, so long as there are no material changes from the time of the issuance of the Commitment Letter. City response will be made within 5 working days of receipt of a complete package. The City retains a complete copy of the Submission Package.

4. The MCC Commitment Letter will include an expiration date of 90 calendar days for existing (resale) housing units and 120 calendar days for newly constructed units. This period begins on the date the Commitment Letter is issued. If an extension is required the Lender and the Applicant must request it before the original 90-day commitment expires. A single, one month, one time only extension may be granted upon payment of a \$100 extension fee.
5. The City maintains a cumulative-to-date total of mortgage amounts reserved to monitor the amount of expected aggregate certified indebtedness and aggregate amount of MCCs to be issued. The aggregate amount of MCCs issued shall not exceed the authorized amounts for the specific period.
6. The City will produce Program commitment status reports on a periodic basis.

B. PHASE II CLOSING

Lender Responsibility

1. The Funding Lender (or mortgage broker) confirms that the MCC Commitment is still active and has not expired.
2. The Funding Lender approves the loan with the Applicant(s) pursuant to normal procedures. The Lender gives the applicant a copy of the IRS Form W-4 Employee's Withholding Certificate, which contains IRS instructions for the taxpayer. The applicant uses this procedure to change federal tax withholding, to account for the MCC tax credit. The Lender also gives the Applicant a copy of the IRS Tax Form 8396 (available from the Internal Revenue Service) to be filed by the Applicant(s) with the Federal Income Tax Returns.
3. Funding Lender (or mortgage broker) notifies the City of approval of loan application and forwards all loan and MCC closing documents to selected Escrow Officer with instructions for closing the loan and executing the Buyer Closing Affidavit (MCC-6) to be signed at closing by the Applicant(s).

The Escrow Company coordinates the signing and notarization of the Seller's Affidavit (MCC-5) and Buyer Closing Affidavit (MCC-6) and returns them to the funding lender along with other loan documents. **It is the Lender's or mortgage broker's responsibility to provide properly completed documents to the Escrow Office. Do not submit blank affidavit to escrow.**

4. The Funding Lender (or mortgage broker) reviews for accuracy and forwards all the MCC Close of Escrow Documents to the City's MCC processor, within 15 days of close of escrow. Failure to comply with this requirement shall be cause for terminating lender's participating agreement. The documents include:
 - a. Seller Affidavit (MCC-5) certifying the Purchase Price of the residence being purchased.
 - b. Buyer Closing Affidavit (MCC-6) signed by Applicant(s) at closing.
 - c. Funding Lender's Closing Certificate (MCC-7) signed by a Funding Lender representative who has participated in the City's MCC training program, certifying that there has been no material change that would disqualify Applicant(s) for Program.
 - d. Recapture Notice and Computation Worksheet (MCC-8) signed by the Applicant(s) at loan closing (with a copy to the Applicant).

- e. Restricted Use Affidavit declaring no more than 15% of the residence area will be used in trade or business.
- f. Certified copy Master Settlement Statement from loan closing.

City Responsibility

- 1. The City reviews Close of Escrow Documents and checks file to make sure all necessary documents have been submitted. Upon approval, the City issues MCC and sends the original directly to the Applicant(s), with a copy to the Funding Lender and mortgage broker.
- 2. The City maintains a cumulative total for all MCCs issued (both number and amount).

C. PHASE III MONITORING

Lender Responsibility:

- 1. The Funding Lender must file an annual report, using IRS Form 8329, for any year in which MCC-assisted loans are originated.
- 2. For six years, the Lender must retain:
 - a. Name, mailing address, and TIN (social security number or tax identification number) of the MCC holder.
 - b. Name, mailing address, and TIN of the City.
 - c. Date of loan (date of issuance), certified indebtedness amount (first mortgage amount) and MCC tax credit rate.

City Responsibility

- 1. The City shall make quarterly reports on IRS Form 8330, beginning with the quarter in which the election is made and continuing throughout the period in which MCCs are issued. The report must include:
 - a. Name, address and TIN of the City.
 - b. Date of election.
 - c. The sum of the products determined by multiplying certified indebtedness amount (mortgage amount) by the MCC credit rate (15%) for each MCC issued.
 - d. Name, address and TIN of each MCC holder whenever an MCC is revoked.
- 2. The City shall file with the Internal Revenue Service an annual report for each Program year ending September 30 pursuant to Regulation Section 1.25-4T(e). The report shall be titled "Mortgage Credit Certificate Information Report" and must include the name, address and TIN of the City, the reporting period for which the information is provided and the following tables containing information concerning the holders of MCCs issued during the reporting period.

SECTION IV

MCC SUBMISSION AND COMMITMENT

A. HANDLING PRIORITY

Complete MCC applications will be processed by the City according to the date of receipt. Lenders will be notified of incomplete application and processing will be stopped until all deficiencies are corrected

B. MCC APPLICATION

The MCC application process formally begins when the applicant files a MCC Application with a Participating Lender, and the Lender submits the required Commitment Phase documents to the MCC Processor. Upon receipt of these documents, the Processor performs a preliminary screening for completeness and compliance with the MCC program's purchase price and applicant income limits. Once eligibility is established, the Processor will notify the Lender that the commitment phase is complete and issue a MCC commitment and MCC number.

C. MCC NUMBERS

A unique MCC number will be assigned upon the commitment phase is complete. The Lender is to use this number on all future correspondence and MCC documents.

D. LENDER PARTICIPATION AND TRAINING

All Participating Lenders must attend MCC lender training and sign the Lender Participation Agreement (visit our website for most current lender agreement) before being certified to participate in the San Francisco MCC Program. Continued certification for the Program will require participation in future lender meetings specified by the City.

E. PROGRAM CHARGES AND FEES

Non-refundable Application Fee: The Lender may charge each applicant a MCC application fee for processing each MCC, of which shall be collected and remitted to the City. The City portion of the application fee is non-refundable.

In addition to the non-refundable application fee, the Lender may charge a potential applicant applying for a MCC only those reasonable and customary fees as would be charged to a potential applicant applying for mortgages not provided in connection with a MCC.

F. REVOCATIONS

1. Automatic revocation occurs when the residence for which the MCC was issued ceases to be the MCC holder's Principal Residence.
2. Unless waived in writing by the City, automatic revocation occurs whenever the MCC holder is not in compliance with the requirements for a qualified MCC.
3. Revocation will occur upon discovery by the City or a Participating Lender of any material misstatement, whether negligent or fraudulent.
4. A Lender must notify the City immediately if the Lender becomes aware of any circumstance which would disqualify an MCC recipient of the benefits of the MCC.

G. TRANSFER OF MCCS FOR MORTGAGE ASSUMPTIONS

THE MCC IS NOT TRANSFERABLE OR ASSUMABLE. When assumption of a mortgage associated with a MCC occurs, the MCC cannot be assumed by the new buyer.

H. TRANSFERRING MCC APPLICATIONS TO ANOTHER LENDER

If an Applicant has a pending MCC application and decides to change from one Participating Lender to another, the City will honor the original expiration date of the commitment as long as the buyer and the home's status has not changed and the new Lender verifies the commitment documents.

If the change occurs after the submission but before commitment, the new Lender should notify the City in writing that the change has occurred. The City will adjust its records and the MCC Code Number to reflect the new Lender.

If an Applicant changes from one Lender to another after a commitment has been issued, the new Lender will be required to verify that the Applicant meets the Program requirements by resubmitting the following documents:

- Transmittal Form;
- Lender's Certification of Applicant Eligibility (MCC-2);
- MCC Commitment (MCC-4);
- New set of 1003 loan application and 1008 Underwriting Summary.

The Commitment will be reissued through the new Lender with the same original expiration date. The expiration date will not be extended without a formal request. Furthermore, if the Applicant has been issued a conditional commitment, the missing documents (i.e. tax returns, paystubs, seller affidavit) will have to be received prior to issuance of new commitment.

I. ASSIGNMENT OF MCC COMMITMENT FOR FUNDING

If a lender packages the loan with MCC and assigns the loan to another MCC Participating Lender for funding, the original Lender (or mortgage broker) should forward to the City either prior to or with the Close of Escrow documents, the MCC Assignment Letter (Appendix A) indicating the loan has been assigned to the new funding Lender. The City will adjust its records to reflect the new Lender. The MCC will be issued in the funding Lender's name. The funding Lender will also be responsible for the reporting on that particular loan.

J. CHANGING PROPERTIES OR PURCHASE PRICE DURING MCC APPLICATION PROCESS

If an Applicant has a pending application and changes the property or purchase price he/she is purchasing, the Lender must submit a new-signed Purchase Contract and indicate by transmittal whether the mortgage amount has changed. If the Applicant has already been issued a commitment, the following documents should be revised and resubmitted to reflect the new property address and any change in mortgage amounts:

- MCC Application (MCC-1);
- Lender's Certification of Applicant Eligibility (MCC-2);
- MCC Commitment (MCC-4);
- New purchase agreement (new purchase price must meet the MCC purchase price limits);
- New set of 1003 loan application and 1008 Underwriting Summary.

Note: The Commitment is reissued with the original expiration date.

K. RESUBMISSION OF MORTGAGE CREDIT CERTIFICATE APPLICATIONS RETURNED OR REJECTED

If an MCC application as represented by the submitted MCC Program documents and exhibits has been returned or denied by the City, any resubmission, if appropriate, must include all information which the City has determined necessary for reconsideration. An MCC Application that is being submitted a second time will be reviewed in depth, and a final disposition made.

L. CHANGES PRIOR TO CLOSING

1. CHANGES IN THE APPLICANT'S FINANCIAL OR MARITAL STATUS AFTER ISSUANCE OF COMMITMENT AND PRIOR TO CLOSING

The eligibility of Applicant for a MCC is based upon the Applicant's current Income. The MCC Program will issue the Commitment based on facts as they are verified as of the date the Commitment is issued. The Income verified for commitment is valid as long as the loan closes within three months (90 days) after the financial information was originally submitted and there are no additional sources of income that were not previously reported.

Upward changes in income sources already reported (e.g., raises) will not affect the validity of an MCC Commitment as long as the loan closes within three months (90 days) from the time the MCC Commitment was issued. If the loan does not close within three months and an extension is requested, the Income would have to be re-verified, including all new current income.

If the Applicant experiences a change in marital status after issuance of the Commitment and prior to closing, the spouse must satisfy the prior homeownership requirements contained in the MCC Application and the Buyer Closing Affidavit, and the Lender must notify the MCC Program. Any income added to the household income previously declared because of the new spouse should be considered and may affect the validity of the Commitment.

Furthermore, any added source of income received after the issuance of the Commitment but prior to closing should be disclosed and included in the income eligibility determination.

2. CHANGES IN HOMEOWNERSHIP STATUS, ACQUISITION COST AND AMOUNT OF MORTGAGE LOAN AFTER ISSUANCE OF COMMITMENT AND PRIOR TO CLOSING

If the applicant(s) acquires a present ownership interest in a Principal Residence prior to loan closing, the Commitment shall be revoked if the residence is located in a non-targeted area.

If the total acquisition cost of the residence purchased in connection with the MCC increases so as to exceed the Acquisition Cost limitations set forth herein, the Commitment shall be revoked.

If the mortgage amount of the loan increases, thereby causing an increase in the credit amount, the Commitment will be revoked if that increase in credit amount serves to increase the aggregate credit amount of all MCCs issued by the City above the aggregate credit limit imposed by law. A new set of 1003 and 1008 forms should be revised and resubmitted to City to reflect any changes in mortgage amounts. The Commitment will be reissued with the original expiration date for the new mortgage amount.

3. OTHER CHANGES IN CIRCUMSTANCES AFTER ISSUANCE OF COMMITMENT AND PRIOR TO CLOSING

The MCC Commitment is issued in reliance upon the Applicant's and Seller's Affidavits and the Lender's Certification that the requirements necessary for issuance of a qualified MCC have been met. The Lender must immediately notify the City in writing (by using the Transmittal Form) of any change in the circumstances upon which the Commitment was issued. If any other change in the circumstances upon which the Commitment was issued occur so that the MCC

to be issued will not meet the requirements of a qualified MCC, the Commitment will be revoked.

M. **AUDIT**

The City retains the express authority to perform annual random audits of Participating Lender records.

N. **CONFLICT OF INTEREST**

No MCC shall be issued to a person or the immediate family of a person who is in a decision-making position relative to the MCC Program or the issuance of an MCC. This includes, but is not limited to, staff of Participating Lenders, and the City.

O. **RECAPTURE TAX**

If the homeowner sells or otherwise disposes of the home during the nine years after the purchase of a home in conjunction with which the homeowner received a MCC, all or part of this benefit may be "recaptured" by the federal government. The recapture is accomplished by an increase in the homeowner's federal income tax for the year in which the home is sold. The recapture only applies, however, if the home is sold at gain and if the homeowner's income has increased above specified levels.

Facts about the Recapture Tax

1. The tax is payable in the year the homeowner sells his/her home.
2. Exceptions to the Recapture Tax (i.e., no recapture tax is due, if):
 - (a) Home is disposed of at a loss;
 - (b) Home is disposed of as a result of homeowner's death;
 - (c) Home is disposed of later than nine years after close of mortgage loan;
 - (d) Home is transferred either to homeowner's spouse or former spouse incident to divorce and homeowner has no gain or loss include in home under §1041 of the Internal Revenue Code; or
 - (e) Homeowner's *Modified Adjust Gross Income* is less than the Adjusted Qualifying Income in the taxable year in which the home is sold.

"Modified Adjust Gross Income" is the adjusted gross income shown on the homeowner's federal income tax return for the year in which the Residence is sold or transferred *plus* any interest received or accrued which is excluded from gross income received during that year, *minus* the amount of gain from the sale of the Residence included in gross income on homeowner's federal income tax return for that year.

3. Maximum Recapture Tax is the lesser of :
 - (a) 6.25% of the largest principal amount of the mortgage loan and is the "federally subsidized amount" with respect to the loan;
 - (b) 50% of the gain on the sale of the home , regardless of whether that gain must be included in the homeowner's income for federal income tax purposes; or
 - (c) The calculated Recapture Amount.

Procedures

1. The *Notice to Mortgagor of Maximum Recapture Tax and Method to Compute Recapture Tax on Sale of Home* (MCC-8) must accompany the Commitment Phase documents before an MCC Commitment will be issued. A copy of the notice of recapture is to be given to the Applicant at the time it is signed.
2. The MCC-8 is a complicated form but which has on it specific instructions for completion. The actual recapture tax, if any can only be calculated when the home is sold, because both the sales price and the homeowner's income at the time of sale must be known.

The MCC-assisted homeowner is not subject to recapture under the following three conditions:

- ◆ The homeowner owns the home and lives in it for more than nine (9) years.
- ◆ The homeowner sells the home in less than 9 years and their income is less than the limits listed below in the year they sell.
- ◆ The homeowner sells the home in less than 9 years and does not meet the income requirements, but there is no gain on sale.

TABLE I: NON-TARGETED AREA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
1 or 2 persons	\$155,464	\$163,237	\$171,399	\$179,969	\$188,967	\$198,416	\$208,337	\$218,753	\$229,691
3 or more	\$178,784	\$187,723	\$197,109	\$206,965	\$217,313	\$228,179	\$239,588	\$251,567	\$264,145

TABLE II: TARGETED AREA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
1 or 2 persons	\$175,920	\$184,716	\$193,952	\$203,649	\$213,832	\$224,523	\$235,750	\$247,537	\$259,914
3 or more	\$205,240	\$215,502	\$226,277	\$237,591	\$249,471	\$261,944	\$275,041	\$288,793	\$303,233

Appendix A

**MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
CITY AND COUNTY OF SAN FRANCISCO
MORTGAGE CREDIT CERTIFICATE PROGRAM**

Sample of MCC Assignment Letter

Date: _____

To: Mayor's Office of Housing and Community Development
City and County of San Francisco
1 South Van Ness, 5th Floor
San Francisco, CA 94103
Attention: MCC Program Manager

From: Mortgage Broker Name _____
Broker Representative _____
Mailing Address _____
City, State, ZIP _____

Re: Mortgage Credit Certificate Reservation/Commitment for:
Applicant Name _____
Property Address _____
MCC _____

This is to inform you that the above MCC Reservation/Commitment has been assigned to the following Lender for funding:

Name of Lender _____
Mailing Address _____
City, State, ZIP _____
Assigned Representative Name _____
Representative's Telephone Number _____
Representative's Fax Number _____
Representative's Email Address: _____

The above named Lender is a Participating Lender in San Francisco's MCC Program. The above named representative has attended the Lender Training, and will be the individual responsible for forwarding Close of Escrow documents to you.

Sincerely,

Mortgage Broker

cc: Funding Lender