



MORTGAGE CREDIT CERTIFICATES (MCC) *A little-known tax credit for First-time Homebuyers*

A Mortgage Credit Certificate (MCC) helps eligible homebuyers in three ways: First, lenders can use the tax credit to help qualify buyers for a loan; second, MCC holders can have more cash in their paycheck; and third, MCC holders can claim this tax credit each year they pay on their mortgage.

How it works:

An MCC holder is able to claim up to 20% of annual mortgage interest paid as a federal income tax credit. The remaining mortgage interest (80%) continues to qualify as an itemized deduction. For example, a borrower with a \$150,000 loan at 4% will pay \$6,000 mortgage interest the first year. Twenty percent of this, or \$1,200, can be a dollar-for-dollar reduction of federal income taxes! This tax credit continues at 20% of mortgage interest paid each year, as long as the home is owner-occupied.

The MCC may even be re-issued, in the event the home is refinanced. Eligibility requirements are identical to the MBOH loan program, and include:

Income Limits: Ranges from \$73,300 to \$124,460 based on household size and location.

Purchase Price Limits: Current spending limits range from \$311,979 to \$511,889 based on location.

First-time Homebuyer Requirement: Someone who has not owned their home for past three years. (*Exceptions include some veterans; ownership of manufactured home on a rented lot; and certain targeted areas.*)

Owner Occupancy: The MCC is valid for the life of the loan, if owner-occupied.

Business Use Limits: Trade or business use of a residence cannot exceed 15% of area square footage.

New Loan Requirement: Purchase loans only; no refinanced loans.

Recapture Tax: A federal recapture tax may apply only if ALL three of the following occur:

- ** The home is sold in the first nine years; **and**
- ** There is a substantial gain on the sale; **and**
- ** The family has a significant increase in Adjusted Qualifying Income by the year of sale.

Important things to note:

1. MCC is a non-refundable federal income tax credit, limited to \$2,000 per year. Tax professionals should be consulted for specific guidance.
2. MCC canNOT be combined with an MBOH loan. It is attached to a lender loan held in their portfolio, or sold to other investors.
3. Participating lenders process MCC applications on behalf of eligible borrowers.
4. The MCC requires a one-time fee of \$750.00 paid at closing.

For more information:

Go to <https://housing.mt.gov/Homeownership/Lenders/Mortgage-Credit-Certificate-Program>
or call 406-841-2840