Mortgage Credit Certificate Program
Notice of Potential Benefits

INSTRUCTIONS: If you are considering applying for a mortgage credit certificate (an "MCC") through a lender, it is **EXTREMELY IMPORTANT** that you understand the Minnesota Housing program options available to you and the potential benefits an MCC may or may not provide you after the purchase of your home.

Minnesota Housing Program Options

Minnesota Housing offers three programs for first-time homebuyers, including two different MCC options.

- Start Up – This mortgage program offers the lowest mortgage interest rate and monthly payment of Minnesota Housing's home mortgage programs and access to one of three Minnesota Housing downpayment and closing cost loan options. Start Up is not eligible for an MCC.
- Mortgage Credit Certificate (with First Mortgage) – This mortgage program offers a competitive interest rate, an MCC and access to an optional Minnesota Housing Monthly Payment Loan to cover downpayment and/or closing costs.
- Mortgage Credit Certificate (Stand-Alone) – This option provides an MCC only and does not include a mortgage. You combine this MCC with a non-Minnesota Housing home mortgage loan. The MCC (Stand-Alone) is not eligible for Minnesota Housing mortgage loan program interest rates or downpayment and closing cost loans.

MCC Overview

An MCC permits a qualifying buyer purchasing a qualifying home to claim a tax credit that may reduce the buyer's federal income tax liability, if any. The size of the annual tax credit will be 25% of the annual interest paid on the mortgage, for a maximum of $2,000 per year. The credit is applied after all other deductions, personal exemptions and certain other credits are taken into account. The credit taken cannot be larger than your annual federal income tax liability.

This credit can reduce the amount of federal income tax you would otherwise owe (assuming you have a tax liability after certain other credits have been taken) when filing your tax return. In the alternative, it might increase the amount of refund owed you from taxes withheld from your wages. If you expect a refund, you might adjust your federal income tax withholding in advance to benefit from the credit on a monthly basis and thus, have more disposable income each month with which to make your mortgage payments. The amount of the credit will reduce your home mortgage interest deduction.

Calculating the Credit

	Example 1	Example 2
Loan amount	$150,000	$200,000
Interest rate	4.375%	4.375%
Interest paid on first 12 months of the loan	$6,513	$8,684

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Credit rate	x 25%	x 25%
Tax credit amount	$1,628	$2,171

Eligible Credit Amount	**$1,628**	**$2,000**[1]
Federal taxes owed	$1,000	$2,500
Taxes owed after applying credit	$0	$500

In Example 1, if you have a loan for $150,000 at a 4.375% interest rate, you will pay $6,513 in interest over the first 12 months of the loan. If you multiply the amount of interest paid by the credit rate of 25%, your tax credit amount equals $1,628. If you owe $1,000 in federal taxes after all other deductions, personal exemptions and certain other credits are taken into account, you can claim the tax credit and reduce your federal tax liability to $0. You cannot receive a refund for the unused portion of the credit.

In Example 2, if you have a loan for $200,000 at a 4.375% interest rate, you will pay $8,684 in interest over the first 12 months of the loan. If you multiply the amount of interest paid by the credit rate of 25%, the tax credit amount equals $2,171. However, because the annual tax credit you receive cannot exceed $2,000, the credit amount you are eligible for is $2,000. The remaining $171 cannot carry applied to a future year's credit.

If in Example 2 you owe $2,500 in federal taxes after all other deductions, personal exemptions and certain other credits are taken into account, you can claim the tax credit and reduce your federal tax liability to $500.

Carry-Forward of Credit

An MCC credit in excess of the current year tax liability may be carried forward for use in the subsequent three years (if you still have a federal income tax liability following use of the subsequent year's MCC credit).

In Example 1, if you owe $1,000 in taxes and have an MCC for $1,628, the remaining $628 in credit can be applied in a future year.

In Example 2, if you owe $2,500 in taxes and have an MCC for $2,000, there is no remaining credit to carry forward.

[1] The annual tax credit you receive cannot exceed $2,000.

MCC Application

IT IS STRONGLY RECOMMENDED THAT YOU CONTACT A TAX PROFESSIONAL BEFORE APPLYING FOR AN MCC IN ORDER TO DETERMINE THE POTENTIAL BENEFITS AN MCC MAY PROVIDE YOU.

Minnesota Housing reviews MCC applications solely for compliance with program guidelines and does not determine whether a particular applicant will benefit from an MCC.

If you have decided to apply for an MCC after considering the above, please acknowledge such by signing and dating this form. Your lender is required to submit it to Minnesota Housing with your MCC application.

Borrower Signature	Date	Co-Borrower Signature
Print Name of Borrower	Date	Print Name of Co-Borrower