



Give Yourself Credit! Mortgage Credit Certificate First Time Homebuyer Program

What is a Mortgage Credit Certificate?

A Mortgage Credit Certificate (MCC) is a certificate provided by the IRS that allows homebuyers to take a set percentage of their first mortgage interest, up to \$2,000 each year, as a credit against what is owed on their Federal income taxes. This is a special program provided by the IRS that is not available to all homeowners.

The remaining percentage of first mortgage interest can still be used as a deduction on Federal income taxes. This tax benefit is provided to all homeowners.

A tax credit is more powerful than a deduction, since it reduces tax liability dollar for dollar.

How does a Mortgage Credit Certificate work?

The Mortgage Credit Certificate (MCC) is good throughout the life of the first mortgage loan (30 years). It can be reissued if the first mortgage is refinanced at a later date.

There is one additional form (IRS Form 8396) that the borrower completes with their Federal income tax return to claim the MCC credit. All the information needed for this form is provided on the MCC certificate that is mailed to the borrower after closing.

If the homeowner doesn't owe any Federal income tax in a given year, the MCC credit can be carried forward for up to 3 years, with a maximum credit of \$2,000 each year.

What is the potential benefit of a Mortgage Credit Certificate?

This table provides an example to show the maximum benefit a Mortgage Credit Certificate (MCC) can provide to borrowers over the life of their first mortgage. These are examples only and are not a guarantee that every borrower will be able to take full advantage of the MCC each year they own their home.

Amount of First Mortgage Loan		\$175,000	\$200,000	\$250,000
First Mortgage Interest Rate		4.25%	4.25%	4.25%
Year 1	Interest Paid after 1 year	\$7,380	\$8,435	\$10,544
	MCC Benefit at Year 1 <i>(30%* of interest paid, up to \$2,000/year)</i>	\$2,000	\$2,000	\$2,000
Year 10	Interest Paid after 10 years	\$67,332	\$76,952	\$96,190
	MCC Benefit at Year 10 <i>(30%* of interest paid, up to \$2,000/year)</i>	\$19,525	\$20,000	\$20,000
Year 30	Interest Paid after 30 years	\$134,922	\$154,197	\$192,746
	MCC Benefit at Year 30 <i>(30%* of interest paid, up to \$2,000/year)</i>	\$39,801	\$43,174	\$47,329

* MCC percentage rate subject to change

First Time Homebuyer Program

Homebuyers in Dakota County can now access fixed, low-interest mortgage financing along with a Mortgage Credit Certificate and up to \$8,500 in down payment and closing cost assistance.

Program Eligibility

- Homebuyers must be first time home-owners or someone who has not owned a home in the last three years
- Veterans are eligible and do NOT have to be first-time home buyers
- Eligible properties include existing single family homes, townhomes, or condos in Dakota County
- Homebuyers must occupy their home as their primary residence after purchase
- Must have a minimum credit score of 640 for conventional financing/650 for FHA

Income Limits

- 1 or 2 person households: \$100,000
- 3 or more person households \$115,000

Maximum Purchase Prices

- For single family homes, townhomes or condominiums
- 1 or 2 person households: \$300,000
- 3 or more person households \$330,100

Down Payment Assistance Loans

- Maximum loan of \$8,500
- Zero percent interest
- No monthly payments; the loan is repaid when the first mortgage is paid off, or when the home is sold or refinanced

For a list of lenders, current interest rates and down payment assistance income limits visit www.dakotacda.org/homebuyers

Questions?

Call 651-675-4472 or email slarson@dakotacda.state.mn.us