



Michigan State Housing
Development Authority

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191-090303



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Mortgage Credit Certificate Program

HOW WILL A MORTGAGE CREDIT CERTIFICATE HELP ME PURCHASE A HOME?

Mortgage Credit Certificates (MCC) reduce the amount of federal income tax a homebuyer pays. The estimated annual cost savings is calculated on a monthly basis to help homebuyers qualify for a higher mortgage payment, and therefore a higher priced home—expanding home choices. MCCs are available to homebuyers who meet household income and home purchase price limits.

CALCULATING THE CREDIT

Total Mortgage Amount x Loan Interest Rate = Annual Interest

Annual Interest x MCC Rate (20%) = Tax Credit for the Year

Assuming a mortgage of \$100,000 at 5.5% interest, the annual tax credit would be:

$$\$100,000 \times 5.5\% = \$5,500$$

$$\$5,500 \times 20\% = \mathbf{\$1,100 \text{ annual tax credit}}$$

The specific amount of the mortgage interest credit depends on how much interest you pay on the mortgage loan, however, the amount of the credit cannot be more than your annual federal income tax liability after all other credits and deductions have been taken into account. The unused portion of the mortgage interest credit can be carried forward to the next three years, or until used, whichever comes first. Please refer to IRS Form 8396 to calculate and claim your credit.

WHERE CAN I GET A MORTGAGE CREDIT CERTIFICATE?

Many banks, credit unions and mortgage companies participate in the MCC program. A list is available on the MSHDA Web site at michigan.gov/mshda. Contact a participating lender to apply for the credit certificate. This is done at the same time a mortgage loan application is made.

WHAT TYPES OF MORTGAGES

CAN A MCC BE COMBINED WITH?

MCCs can be combined with conventional, FHA, Rural Development and VA mortgage loans. MCCs are not available with MSHDA mortgages or with refinanced loans.



WHAT REQUIREMENTS ARE THERE?

Federal, IRS and state regulations apply to everyone who obtains a MCC. These include:

- The homebuyer cannot have had an ownership interest in a principal residence in the last three years, unless the home is being purchased in a targeted area.
- The home must be a single family residence and used as a principal residence. A principle residence can include single family homes, condominiums and certain manufactured homes.
- Because a tax credit is considered to be a subsidy, homebuyers may be subject to a federal 'recapture tax'. This tax may apply, if the home is sold within nine years with a gain on the sale. MSHDA recognizes that this may be a concern for individuals, so the Recapture Tax reimbursement Program was created to reimburse borrowers for any recapture tax paid to the IRS.

WHERE CAN I OBTAIN MORE INFORMATION?

For more information on income limits, sales price limits and targeted areas visit our Web site at michigan.gov/mshda, and click on the home-ownership tab.