

To learn more about this program contact Alicia Smith by email at [Alicia.Smith@dcd.cccounty.us](mailto:Alicia.Smith@dcd.cccounty.us) or contact by phone at 925-674-7885. Please make sure to visit our website at [www.cccounty.us/mcc](http://www.cccounty.us/mcc) for more information and updates.

Contra Costa County  
Department of Conservation and Development  
30 Muir Road  
Martinez, CA 94553-1224

**2020**



## ***Contra Costa County Mortgage Credit Certificate Program***



Contra Costa County  
Department of Conservation and Development  
30 Muir Road  
Martinez, CA 94553  
925-674-7885  
[www.cccounty.us/mcc](http://www.cccounty.us/mcc)

# 2020 CONTRA COSTA COUNTY MORTGAGE CREDIT CERTIFICATE PROGRAM

## PROGRAM SUMMARY

The Mortgage Credit Certificate Program, authorized by Congress in the Tax Reform Act of 1984, provides financial assistance to "first time homebuyers" for the purchase of new or existing single-family home. In 1985, the State adopted legislation authorizing local agencies, such as Contra Costa County, to make Mortgage Credit Certificates (MCCs) available in California. Contra Costa County MCC authority can be used in all cities as well as the unincorporated areas of the County. The Contra Costa County Department of Conservation and Development will administer the program.

### What is an MCC?

The MCC Program is a homebuyer assistance program. The MCC provides qualified first time homebuyers with a federal income tax credit. Income tax credits reduce an individual's tax payment(s) by an amount equal to the credit. Under the MCC program, the maximum tax credit available is equal to 20 percent of the annual interest paid on the borrower's mortgage. By reducing the borrower's federal tax liability, the tax credit essentially provides additional income that can be used for mortgage payments.

### How does the MCC reduce your taxes?

In the *example* given in Table 1, a borrower with a 5 percent fixed rate 30-year mortgage of \$200,000 would make \$10,000 in interest payments during the first year of the mortgage.<sup>1</sup> Under normal circumstances, the borrower deducts 80 percent of that interest (\$10,000 in our example) - along with other allowable deductions - from his total gross income in order to figure the "*adjusted gross income*" used to calculate his/her total tax liability. After the borrower has calculated the total tax liability, under the MCC program the remaining 20 percent of the interest (\$2,000 in our example) is also deducted from his/her total tax liability. If this subtraction results in a negative number - in other words, if the borrower is unable to use the entire MCC tax credit in this particular tax year - the credit may be carried forward and used, up to three calendar years in the future. The borrower may consider adjusting his/her federal income tax withholding (W-4) so as to benefit on a monthly basis for the MCC. By taking this action, the borrower will have more disposable income to make mortgage payments.

<sup>1</sup>Interest Payments on a fixed-rate mortgage will go down gradually each year. On variable-rate mortgages, the total annual interest may *increase*.

1.	First Mortgage Amount	\$200,000
2.	Mortgage Interest Rate	5%
3.	Annual Interest Payment	\$10,000
4.	Mortgage Credit Certificate Rate	20%
5.	Annual MCC Amount (Line 3 x Line 4)	\$2,000
6.	Monthly Credit Amount (Line 5 ÷ 12)	\$167

Note that the MCC program applies only to the borrower's federal tax liability. State taxes are not affected.

### What are the purchase price and income limitations for MCC participation?

Mortgage Credit Certificates are available to first-time homebuyers in Contra Costa County. Table 2 shows the purchase price and income limitations for MCC Program participants.

	Non-Target Areas	Target Areas <sup>2</sup>
<b>Purchase Price<sup>3</sup></b>		
New (never occupied units)	\$625,765	\$764,823
Existing (resale) units	\$625,765	\$764,823
<b>Income</b>		
1 and 2 person households <sup>4</sup>	\$104,400	\$125,280
3+ person households	\$120,060	\$146,160

### How does a borrower obtain an MCC?

To obtain an MCC, a purchaser of a new or existing single-family home works with any mortgage lender participating in the MCC program and applies for an MCC and a mortgage loan at the same time. Lenders process the underlying mortgage using standard procedures, with adjustments to those procedures as needed to satisfy the MCC requirements. The lender is responsible for underwriting and execution of required State and Federal certifications and affidavits. Prior to closing, the County reviews executed certifications and affidavits provided by the lender in order to determine qualification and eligibility of the MCC applicant. The lender must have an MCC Commitment issued by the County prior to the close of escrow. In addition, the lender is responsible for all required post-closing MCC documents before the County can issue an MCC Certificate to the new homeowner.

<sup>2</sup>Target Areas in Contra Costa County include portions of Pittsburg and Bay Point, portions of Martinez, and portions of San Pablo. Maps are available through the Department of Conservation and Development.

<sup>3</sup>90% of Average Area Purchase Price for non-target areas and 110% of Average Area Purchase Price for Target Areas.

<sup>4</sup>Households of 1 and 2 persons = 100% median, 3+ person households = 115% median; Target area maximum income for 1 and 2 persons = 120% median; 140% of median for 3+ persons. Household income (HHI) pertains to anyone living in the home who is 18 years of age and over.

### Can an MCC loan be re-financed?

Loans with an existing MCC that was originally issued by Contra Costa County can be refinanced once and retain the MCC tax advantage. The original MCC will be reissued as a Reissued Mortgage Credit Certificate (RMCC). If the refinanced loan is then refinanced again, homeowners lose their MCC status. Any lender can be used to refinance loans, and the RMCC is processed directly with Contra Costa County. The RMCC processing fee is \$300, which is non-refundable. In addition to the check, the required items include the RMCC Letter, RMCC Application, RMCC Certifications, and RMCC Application Checklist. These forms can be found on the website.

### What does Recapture mean?

The **recapture** is a **tax** provision that allows the Internal Revenue Service (IRS) to collect **taxes** on any profitable sale of asset that the taxpayer had used to offset his or her taxable income. The purpose is to discourage individuals from buying a home primarily to benefit from the MCC tax credit and short-term appreciation potential. Therefore, the IRS will recapture a portion of the tax credit if a home is sold within the first nine years after purchase. Certain conditions must exist for the recapture to take effect. The County MCC staff and your lender can outline the specifics of this recapture program at the time of your application.

## APPLICATION AND ELIGIBILITY REQUIREMENTS FOR MCC PROGRAM

The Contra Costa County MCC Program eligibility requirements are as follows:

- MCCs will be available only to "first-time homebuyers", (i.e. not owning a "principal residence" within the past three years) in non-targeted areas. This restriction does not apply in targeted areas.
- As first-time homebuyers complete their normal loan application process with a **participating lending institution**, their mortgage lenders will prepare MCC applications and forward them to the County within a minimum of 7 – 10 business days prior to the close of escrow for review, approval, and processing. If approved, the County will then issue an MCC Commitment to the lender on a first-come, first-serve basis. Within 3 weeks after the closing, the lender is responsible for providing all required post-closing MCC documents to the County in order for the County to issue an MCC Certificate to the new homeowner. The MCC Certificate is the document that enables the new homeowner to claim the income tax credit.
- Applicants may buy a residence only for their own occupancy, not for rental or reinvestment. Occupancy as "principal residence" must be within 60 days of the close of escrow.
- Applicants must pay a non-refundable application fee of \$300 at the time the lender applies to the County on their behalf.

➤ The MCC can be used when buying a new home with a maximum purchase price of **\$625,765 (\$764,823 in Target Areas)** or an existing home with a purchase price that does not exceed **\$625,765 (\$764,823 in Target Areas)**.