

**INDIANA HOUSING FINANCE AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM**

INTRODUCTION

The Mortgage Credit Certificate (MCC) Program was authorized by Congress in the 1984 Tax Reform Act as a means of providing housing assistance to persons and families of low and moderate income. An eligible purchaser of a new or existing single-family residence may apply for a MCC through an IHFA approved Participating Lender at the time of loan application. A MCC cannot be issued to a borrower who is refinancing an existing mortgage. A borrower may not combine the benefits of a MCC with an IHFA program funded by mortgage revenue bonds.

A MCC operates as a federal income tax credit, reducing an eligible borrowers federal income tax. This credit, **in effect**, creates additional income to be used for a monthly mortgage payment. The annual amount of the tax credit is equal to a percentage (credit rate) of the annual interest paid and accrued on the mortgage loan for the residence. The maximum annual amount of the tax credit is \$2,000. The credit rate is based on the amount of the original mortgage as follows:

<u>Original Mortgage Amount</u>	<u>MCC Credit Rate</u>
\$50,000 and under	35%
\$50,001 - \$70,000	30%
\$70,001 - \$90,000	25%
\$90,001 and above	20%

The amount of tax credit that can be claimed each year cannot exceed the borrowers annual federal income tax liability after all other credits and deductions. The itemized deduction for the mortgage interest will be reduced by the amount of the tax credit. Benefits of the MCC are available for the life of the original mortgage as long as the borrower occupies the property as his principal residence. In most cases, if the borrower refinances the MCC may be reissued.