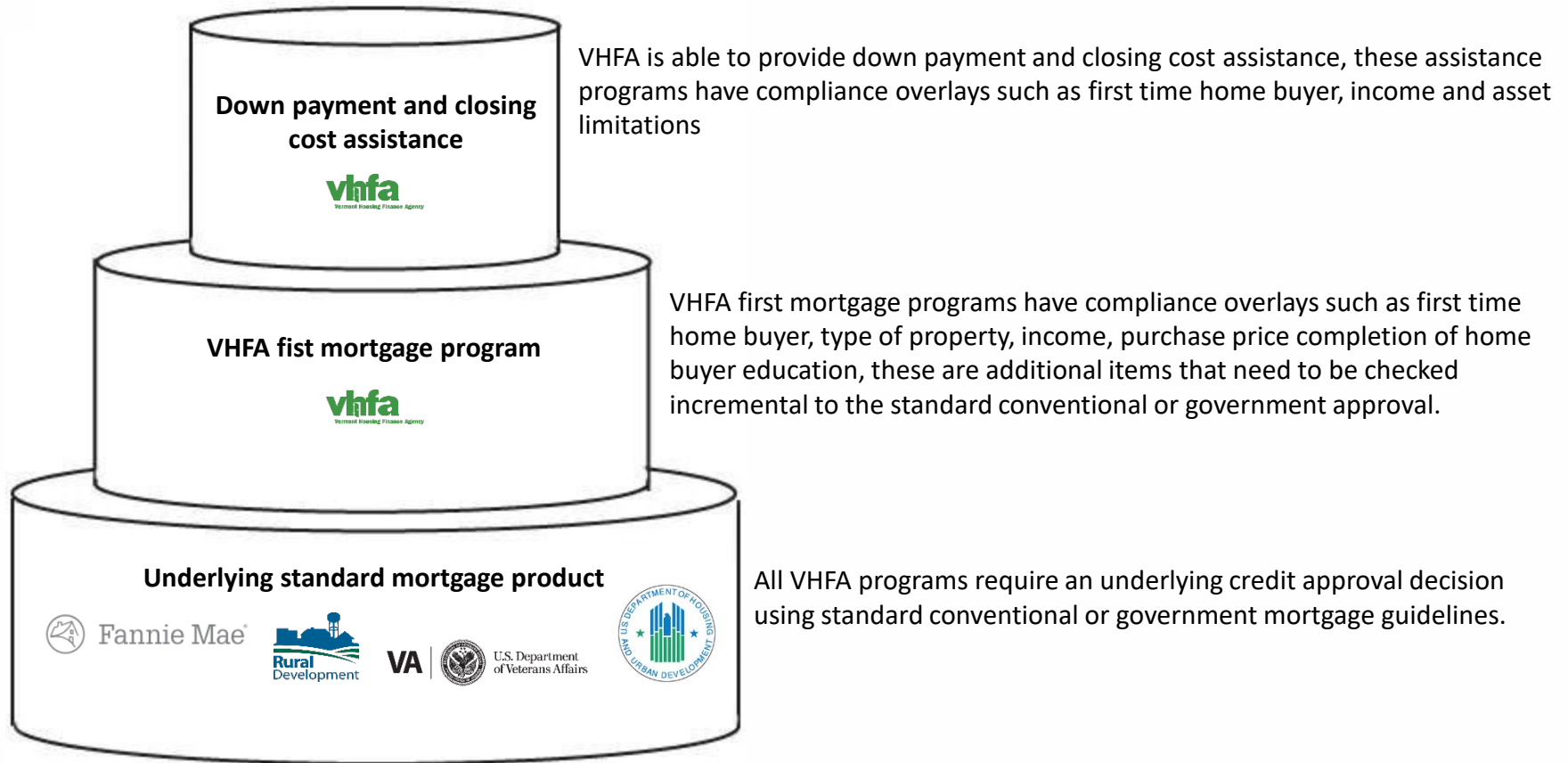




# VHFA Program Training

# VHFA Homeownership Programs

## Program Overview



A Mortgage Credit Certificate (MCC) is available with one of the VHFA first mortgage programs or can be used standalone with any Participating Lender first mortgage program, compliance overlays for a MCC are similar to VHFA first mortgage programs

# Mortgage Credit Certificate

## What is it?

- Up to 30% of mortgage interest paid annually as a tax credit vs. a deduction
- Remaining 70% of the mortgage interest paid annually may be taken as a deduction
- A year over year benefit as long as the consumer lives in the home and holds the original first mortgage

## Q: Why is a credit better than a deduction?

A: A tax credit is a dollar for dollar reduction in tax liability and can be used even when deductions aren't itemized!



### Example

- \$150k loan amount
  - 4.75% rate
  - \$7,075 annual interest paid
- = \$2,122.50 (30% of annual interest)  
=**\$2,000 tax credit** (IRS cap of \$2,000)

# VHFA Homeownership Programs

## Benefits

### First Mortgage Programs

#### Advantage

- Highest income limits
- No first time home buyer requirement

#### MOVE (not always available)

- Most competitive rate

#### MOVE MCC

- Includes a Mortgage Credit Certificate (MCC)

### Supplemental Programs

#### ASSIST

- Up to \$5,000 for down payment and closing cost assistance
- No interest or payment

#### MCC

- Paired with MOVE MCC or allowable lender product
- Up to \$2,000 federal tax credit

#### All first mortgage program programs:

- Can be paired with ASSIST down payment assistance loan
- No rate adjustments
- Up to \$825 in savings on VT Property Transfer Tax

# VHFA Homeownership Programs

## Compliance Overlays – Key Highlights

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### Income

To determine eligibility for a VHFA first mortgage program, all income sources for the prior 12 months for each borrower and any non-borrowing spouse (aka Federal Act Income). **This is likely different than qualifying income.**

To determine eligibility for an Affordable Subsidy, loan must be underwritten using Freddie Mac and income must be less than or equal to 80% AMI. (AMI income grid is different than the VHFA first mortgage program income limits).

### Assets

**ASSIST down payment and closing cost loan is the only VHFA program with an asset limit;** each borrower and any non-borrowing spouse cannot have readily available assets that exceed \$30,000.

### Home Buyer Education

**VHFA with down payment assistance from any source:** Pre-purchase home buyer education and counseling must be completed with a **local non-profit Homeownership Center** (Champlain Housing Trust, RuralEdge, Downstreet, Neighborworks of Western Vermont, Windham & Windsor Housing Trust).

**VHFA without down payment assistance:** Pre-purchase home buyer education and counseling must be completed (can be completed with local non-profit Homeownership Center or eHome America).

# Pricing

Originating lender compensation is optimized at 60 days (reservation to U.S. Bank purchase) but allows for up to 110 days for loan delivery (reduced revenue).

Product	60 day pricing	90 day pricing	110 day pricing
Conventional	102.00%	101.75%	101.25%
Government	102.25%	102.00%	101.50%

Rates are updated every business day and published at 10:00 am ET. If you access Program Rates in the Loan Origination Center before 10:00 am ET you will not see any rates published.

The image shows two screenshots from the Vermont Housing Finance Agency (Vhfa) website. The left screenshot shows the main menu with 'View Program Rates' highlighted. The right screenshot shows the 'Program Rates' page with a table of rates. A yellow starburst graphic is overlaid on the right side of the screenshot, stating 'Rates updated every business day at 10:00am ET'.

Program Type	Current Rate	60 day pricing	90 day pricing	110 day pricing
Advantage				
Conventional	4.8750%	102.0000000000%	101.7500000000%	101.2500000000%
Government	4.6250%	102.2500000000%	102.0000000000%	101.5000000000%
Advantage With Assist				
Conventional	4.8750%	102.0000000000%	101.7500000000%	101.2500000000%
Government	4.6250%	102.2500000000%	102.0000000000%	101.5000000000%
M MOVE				
Conventional	4.2500%	102.0000000000%	101.7500000000%	101.2500000000%
Government	4.0000%	102.2500000000%	102.0000000000%	101.5000000000%
M MOVE With Assist				
Conventional	4.2500%	102.0000000000%	101.7500000000%	101.2500000000%
Government	4.0000%	102.2500000000%	102.0000000000%	101.5000000000%
M MOVE MCC				
Conventional	4.8750%	102.0000000000%	101.7500000000%	101.2500000000%
Government	4.6250%	102.2500000000%	102.0000000000%	101.5000000000%
M MOVE MCC With Assist				
Conventional	4.8750%	102.0000000000%	101.7500000000%	101.2500000000%
Government	4.6250%	102.2500000000%	102.0000000000%	101.5000000000%
Mortgage Credit Certificate Assist				

## Closing Fees and VT Property Transfer Tax Savings

### First Mortgage Program Fees

U.S. Bank will net the following fees on all first mortgage programs (Advantage, MOVE & MOVE MCC) from the purchase post-closing, the lender has the option to collect these fees from the consumer at closing. **These fees should never be shown as payable to VHFA on the Closing Disclosure.**

Fee	Amount
Funding Fee	\$400
Tax Service Fee	\$58 (pre-4/30/18) \$80 (4/30/18 +)

### Mortgage Credit Certificate Program Fees

For the standalone Mortgage Credit Certificate (MCC), VHFA collects and issuance fee. The lender has the option to collect a processing fee on both the MOVE MCC or standalone MCC.

Fee	MCC (Standalone with lender financing)	MOVE MCC
MCC Issuance Fee	\$1,000	\$0
Lender Processing Fee	\$250	\$250

### VT Property Transfer Tax Savings

All consumers who obtain a VHFA first mortgage benefit from waived or reduced VT Property Transfer Tax.

Taxable Purchase Price Increments	Tax Rate for VHFA home buyer
\$0 to \$110,000.00	0%
\$110,000.01 to \$200,000.00	1.25%
\$200,000.01 and up	Standard Rate = 1.45%

# Federal Recapture Tax

## No recapture tax is due if:

- ✓ Home is sold/disposed >9 years
- ✓ Home is sold/disposed with no gain
- ✓ Income is within Federal Adjusted Qualifying Income Limits

## What is the Federal Recapture Tax?

The Federal Recapture Tax is assessed by the Internal Revenue Service for a subject property financed using a Mortgage Revenue Bond or benefiting from a Mortgage Credit Certificate if sold within 9 years of the original purchase date and the consumer (a) realizes a profit on sale and (b) income exceeds the federal qualifying income. The Recapture Tax applies to the following VHFA programs:

- MOVE
- MOVE MCC
- MCC

## Lender disclosure:

The VHFA Participating Lender is responsible for providing the **Notice of Maximum Recapture Tax** to the consumer at closing, the form must be signed by the consumer and returned to VHFA with the post-closing package.

## When is Federal Recapture tax due (all 3 conditions must be present)?

- The subject property is sold <9 years from date of purchase, **AND**
- There is a net profit on the sale, **AND**
- Current tax year income for all borrowers and non-borrowing spouses exceeds the *Maximum Incomes for Recapture* at the time of the original purchase.

## How much Federal Recapture tax is due?

- Lesser of (a) 50% of gain on sale or (b) IRS calculation; the actual tax is capped at 6.25% of the original mortgage loan amount.
- **It is best to direct consumers to the IRS or tax professional for precise and individualized tax calculation.**

## IRS Form 8828:

If the home is sold <9 years from date of purchase, consumer is responsible for filing this IRS form with their returns in the year that they sell the home regardless of whether or not Federal Recapture Tax is due.



# Notice of Maximum Recapture Tax Disclosure

## Steps 1 & 2

1. Log onto the Loan Origination Center.
2. Navigate to the Guides, Forms & Resources Module.



## Step 3

3. Select the Mortgagor Disclosure of Recapture Tax (link found under MOVE, MOVE MCC and MCC Program materials).

### MOVE Program VHFA first mortgages

- [MOVE Procedural Guide \(PDF\)](#)
- [MOVE VHFA Forms \(PDF\)](#)
- [VHFA Program Quick Reference \(PDF\)](#)
- [Mortgagor Disclosure of Recapture Tax](#)
- [Income Limits](#)
- [Purchase Price Limits](#)
- [Maximum Incomes for Recapture \(PDF\)](#)

## Step 4

4. Complete all fields and select Generate Word Doc

A screenshot of the Mortgage disclosure of recapture tax form. The form is titled "Mortgage disclosure of recapture tax" and includes sections for Loan Information, Borrower Information, Property Information, and Mortgage Information. The form is partially filled out with text and numbers.

## Step 5

5. Form is available to print or save; provide form to the consumer to execute at closing.

A screenshot of the printed Mortgage disclosure of recapture tax form. The form is titled "Mortgage disclosure of recapture tax" and includes sections for Loan Information, Borrower Information, Property Information, and Mortgage Information. The form is partially filled out with text and numbers.

If consumer's income is less than the income amount shown no Federal Recapture tax is due. These tables are subject to change, a consumer should always be directed to the Maximum Recapture Tax Disclosure provided at closing as the maximum income that applies to the consumer is whatever was in effect at the time that the original closing occurred.

**Vermont Housing Finance Agency**  
**Federal Recapture -- Maximum Income Tables by Family Size**  
**Effective May 21, 2018**

The limits below apply only for determining if a Borrower's income at the time they sell their property financed with VHFA is within or over the maximum limit for Federal Recapture Tax. For a Borrower to owe the Recapture Tax, their income must exceed the limits below (based on property location and family size), they must have sold the property within nine (9) years from the date of closing and made a net profit on the sale of the property.

	Family Size of 1 or 2			Family Size of 3 or More				
Addison, Bennington and Windsor	Year 0-1:	\$79,700	Years 5-6:	\$101,719	Year 0-1:	\$91,655	Years 5-6:	\$116,977
	Years 1-2:	\$83,685	Years 6-7:	\$106,805	Years 1-2:	\$96,237	Years 6-7:	\$122,826
	Years 2-3:	\$87,869	Years 7-8:	\$112,145	Years 2-3:	\$101,049	Years 7-8:	\$128,967
	Years 3-4:	\$92,262	Years 8-9:	\$117,753	Years 3-4:	\$106,102	Years 8-9:	\$135,416
	Years 4-5:	\$96,875			Years 4-5:	\$111,407		
Caledonia, Essex, Lamoille, Orange, Orleans, Rutland, Washington and Windham	Year 0-1:	\$95,640	Years 5-6:	\$122,063	Year 0-1:	\$111,580	Years 5-6:	\$142,407
	Years 1-2:	\$100,422	Years 6-7:	\$128,166	Years 1-2:	\$117,159	Years 6-7:	\$149,527
	Years 2-3:	\$105,443	Years 7-8:	\$134,575	Years 2-3:	\$123,016	Years 7-8:	\$157,004
	Years 3-4:	\$110,715	Years 8-9:	\$141,303	Years 3-4:	\$129,167	Years 8-9:	\$164,854
	Years 4-5:	\$116,251			Years 4-5:	\$135,626		
Chittenden and Grand Isle	Year 0-1:	\$93,000	Years 5-6:	\$118,694	Year 0-1:	\$106,950	Years 5-6:	\$136,498
	Years 1-2:	\$97,650	Years 6-7:	\$124,628	Years 1-2:	\$112,297	Years 6-7:	\$143,323
	Years 2-3:	\$102,532	Years 7-8:	\$130,860	Years 2-3:	\$117,912	Years 7-8:	\$150,489
	Years 3-4:	\$107,659	Years 8-9:	\$137,403	Years 3-4:	\$123,807	Years 8-9:	\$158,013
	Years 4-5:	\$113,042			Years 4-5:	\$129,998		
Franklin and Burlington Targeted Area (Census Tract 4 and 10)	Years 0-1:	\$111,600	Years 5-6:	\$142,433	Year 0-1:	\$130,200	Years 5-6:	\$166,171
	Years 1-2:	\$117,180	Years 6-7:	\$149,554	Years 1-2:	\$136,710	Years 6-7:	\$174,480
	Years 2-3:	\$123,039	Years 7-8:	\$157,032	Years 2-3:	\$143,545	Years 7-8:	\$183,204
	Years 3-4:	\$129,190	Years 8-9:	\$164,884	Years 3-4:	\$150,722	Years 8-9:	\$192,364
	Years 4-5:	\$135,650			Years 4-5:	\$158,258		