MCC PROGRAM
PROCEDURAL GUIDE
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Chapter 1 – Program Overview

1.1 General Information (Rev. 12/13)

PLEASE NOTE: This MCC Program Procedural Guide provides information for a Mortgage Credit Certificate (MCC) with a first mortgage provided by the lender. For information on other VHFA programs, refer to the applicable program guide.

Lenders are fully responsible for the origination, closing and servicing of loans originated in conjunction with a MCC. VHFA does not set the rate, term or underwriting criteria for the associated loan. Lenders participating in the MCC Program, must take steps to become knowledgable about MCCs, including the IRS reporting and compliance requirements lenders must comply with.

Lenders may be required to enter into a Mortgage Credit Certificate Agreement on an annual basis to continue offering the program uninterrupted. Failure to execute a new agreement when presented, will result in a Lender's removal as an offerer of MCCs.

1.2 Property Transfer Tax Exemption (Rev. 12/13)

Holders of a MCC that is combined with lender provided financing must pay the full amount of the applicable Vermont Property Transfer Tax. ***The transfer tax exemption that is applicable to borrowers that receive VHFA financing does not apply.***

1.3 Targeted Area Set-Aside (Rev. 12/13)

VHFA will set aside 20% of the Program allocation of MCC authority for eligible dwellings located in a Targeted Area. This amount will be set aside for one year from the date VHFA first accepts applications for MCCs under the Program.

Chapter 2 – Compliance

The compliance and minimum documentation requirements are covered below. Lenders are responsible for determining that each applicant and spouse, even if the spouse is not applying for the loan, must meet all compliance requirements. VHFA will review the eligibility documentation provided by the lender and make the final determination. Compliance requirements are subject to change.

2.1 First-Time Buyer Requirement (Rev. 6/18)

In the following Counties: **Addison, Bennington, Chittenden , Grand Isle and Windsor;** all borrowers and spouses must **not have** held an ownership interest, which includes spousal benefit, in a principal residence at any time during the 36 months preceding the loan application date. This requirement is controlled by the Internal Revenue Service and cannot be waived or amended by VHFA under any circumstances.

Exceptions to the first-time buyer requirement are:

- Applicants purchasing in Census Tract 4 and 10 in Burlington
- Veterans, which includes anyone (a) who has served in the military and has been released under conditions other than dishonorable or (b) who has re-enlisted, but could have been discharged or released under conditions other than dishonorable. A current, active member of the military is not eligible for this exemption.

Examples of “Ownership Interest” include, but are not limited to these examples:

- Joint tenancy, tenancy in common or tenancy in entirety.
- An interest in a residence even when not liable for the debt.
- An interest in a residence currently occupied by an estranged spouse.
- An interest in a mobile home on owned land.
- An interest in a mobile home located in a park that is permanently affixed to the land.
- An interest held in trust that would constitute an ownership interest if held by the borrower or non-borrowing spouse.
- A life estate.
- Fee simple interest.
- The interest of a tenant-stockholder in a cooperative.
- A land contract, contract for deed, bond for deed, a conditional sale contract or the like (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred but legal title is not transferred until some later time), which may include some instruments called “leases” or “lease-purchase agreements”.

Examples of “Spousal Benefit” include, but are not limited to these examples:

- Non-title holder but occupied home as a primary residence with spouse who held title.
- Non-mortgage obligor but occupied home as a primary residence with spouse who is/was a mortgage obligor.

Examples of interests which do not constitute “Ownership Interest” include, but are not limited to these examples:

- A remainder interest.
- A true lease, with or without an option to purchase.

- An expectancy to inherit an interest in a principal residence in the future.
- The interest that a purchaser of a principal residence acquired upon the execution of a Purchase and Sales contract.
- Being on the deed of a parent's home with a living parent, provided the parent(s) are residing in the property and the borrower, or non-borrowing spouse has not lived in the property as his/her principal residence and/or claimed any mortgage interest deductions during the previous three years.
- An interest in a mobile home located in a mobile home park (not owned land) that is not permanently affixed to the land per VHFA's requirements, and that the borrower or non-borrowing spouse never gave a mortgage on or claimed a mortgage interest deduction on at any time during the previous three years.

Sufficient documentation is required to determine that each borrower and non-borrowing spouce meet this requirement. The minimum documentation required is listed below:

Credit Report – The credit report for each borrower must be reviewed for evidence of current or past mortgage loans as well as any other information that may indicate current or previous property ownership.

Compliance Affidavit – Each borrower and non-borrowing spouse must complete and execute a VHFA MCC Compliance Affidavit. This affidavit includes representations from all signers that they meet the first-time buyer requirement, as applicable, as well as other compliance requirements. If a borrower or non-borrowing spouse does not meet all compliance requirements described in the Compliance Affidavit, they are not eligible for a MCC with or without VHFA financing. *See Forms Appendix.*

Federal Tax Returns – All borrowers and non-borrowing spouses must provide copies of executed, as-filed tax returns (with all schedules), or other acceptable documentation, for the three (3) previous tax years. Documents required are:

- **Form 1040 –**Copies of as-filed, signed returns or certified as-filed copies. Certified copies can be obtained from the IRS by submitting IRS Form 4506.
- **Form 1040A or 1040EZ –** Copies of as-filed, signed returns or certified as-filed copies. A Tax Return Listing (submit IRS Form 8821 to the IRS) or Tax Account Information from the IRS may also be acceptable.
- **IRS Summary –** This is obtained directly from local IRS offices, and must be signed by the IRS. The lender is responsible for assuring that all pages have been obtained and reviewed.

If federal income tax returns were not filed for any of the preceding three years, VHFA will require a written explanation from the borrower and/or non-borrowing spouse, as applicable, along with documentation verifying federal tax returns were not required to be filed.

2.2 Federal Act Income Limits (Rev. 12/13)

To be eligible, the Federal Act Income of each borrower and non-borrowing spouse cannot exceed the Federal Act Income limit specified for the program in effect at the time of the MCC reservation. For current MCC program Income Limits go to *www.vhfa.org*.

Federal Act Income does not serve the same purpose, and is not calculated in the same manner as qualifying income. To calculate Federal Act Income, the combined income of each borrower and non-borrowing spouse as applicable (even if the spouse will not take title, occupy the property, or be obligated on the loan) must be included. In many cases, the gross annual income of the borrower(s) and non-borrowing spouse, as applicable, equals Federal Act Income. (There are instances, however, when additional income of varying amounts received on an irregular basis must be considered). Examples are:

commission, overtime, bonuses, hourly wages (not salary). While such income may need to be included in Federal Act Income, it may be "averaged" to provide a more reasonable picture of the income. Not all income earned during the previous 12 months may have to be included if documentation can be provided to verify that income was from a one-time source or if it is clear that a source of income is no longer available.

Sufficient documentation to verify the Federal Act Income reflected on the Federal Act Income and Acquisition Cost Worksheet must be provided including that for a spouse that will not take title, occupy the property, be obligated on the loan, or is currently estranged but not legally divorced from a borrower. VHFA will calculate Federal Act Income during the review of the file for compliance. If sufficient information has not been provided, the file will be considered incomplete until all necessary documentation is received.

2.3 Purchase Price Limits / Acquisition Cost (Rev. 12/13)

The purchase price or acquisition cost of a property cannot exceed the VHFA purchase price limit in effect at the time a loan was originated. Acquisition cost is the total cost to the borrower to acquire the property as a completed residence, including improvements the borrower finances or pays for out of pocket.

The acquisition cost of the subject property is determined by using the Federal Act Income and Acquisition Cost Worksheet. The lender must review each line of Section II of the Federal Act Income and Acquisition Cost Worksheet to determine that the acquisition cost has been correctly calculated and is within the applicable purchase price limit. The acquisition cost must be supported by documentation, such as the Purchase and Sale Agreement, Vermont State Property Transfer Tax Return and HUD Settlement Statement prepared at closing.

2.4 Principal Residence Requirement (Rev. 12/13)

Holders of a MCC must occupy the residence the MCC was issued for as their principal residence on a full-time, year-round basis, within 60 days after the loan closing date. Depending on the circumstances, additional time may be acceptable for military personnel on active duty. VHFA will not issue a MCC for properties to be used as part-time residences, investment properties, recreation homes or if more than 15% of the property will be used for a trade or business.

2.5 New Mortgage Requirement and Short-Term Debt (Rev. 12/13)

This program is restricted to real estate purchase transactions. Mortgage loan proceeds cannot be used to replace an existing debt, except in the case of short term financing, such as a construction or bridge loan. The following must apply for short-term debt to be acceptable as the basis for a MCC to be issued:

- The loan constitutes a mortgage on the subject property (unsecured debt is not eligible).
- The loan has an original term of 24 months or less. The monthly payments may be based on a longer amortization, but the final payment date must be within 24 months of the note date. (A longer term loan, in which less than 24 payments have been made, is not eligible.)
- The loan is the original first mortgage the borrower(s) and non-borrowing spouse gave on the property. If the original mortgage loan had a longer term and it was refinanced to reduce the term, that subsequent mortgage loan is ineligible to be the basis for a MCC. VHFA requires a copy of the Vermont Property Transfer Tax Return showing when the property was transferred to the borrower and a copy of the recorded deed.

2.6 Other Real Estate Owned (Rev. 12/13)

At the time of the loan closing date, no borrower can hold an ownership interest in any real estate other than the residence securing the first mortgage loan, with the exception of the following:

- Vacant land.
- A property that is unsuitable for year-round occupancy and was never occupied as a primary residence
- Commercial/industrial property (Residential rental units are not considered commercial property for this purpose).
- A single-wide mobile home in a mobile home park that is not permanently affixed to land inspection of the unit and the foundation, including photographs, by a qualified property inspector is required). **NOTE:** Owning a mobile home located in a park that is permanently affixed to the land also impacts first-time buyer status.
- Being on the deed of a parent's home with a living parent, provided the parent(s) are residing in the property and the borrower and non-borrowing spouse has not lived in the property as his/her principal residence and/or claimed any tax benefit for the property.

2.7 Land Size / Appurtenant Land (Rev. 12/13)

Properties with up to fifteen (15) acres will be considered provided the amount of land to be conveyed with the property is only the amount necessary to reasonably maintain the basic livability of the residence and cannot provide, other than incidentally, a source of income to the borrower. Properties with more than fifteen (15) acres are not eligible (deed restrictions on subdividing are not considered). VHFA will not issue a MCC for a property with two separately deeded lots.

2.8 Non-borrowing Spouse (Rev. 12/13)

Non-borrowing Spouse: A borrower's spouse must meet all compliance requirements and be approved byVHFA even if he/she will not be liable for the mortgage loan **or** take title to the property. A MCC will be issued only in the name(s) of the eligible individuals that meet all compliance requirements and that are borrowers liable for the associated debt.

Failure to provide the required information for a non-borrowing spouse will result in a non-issuance or revocation of a MCC. At a minimum, non-borrowing spouse must complete and provide the following:

- Include their income on the Federal Act Income and Acquisition Cost Worksheet
- Complete and sign the MCC Compliance Affidavit
- Provide as-filed, executed copies of their federal tax returns for the previous three years

Other Non-Occupant Borrowers: VHFA will not issue a MCC with the names of any non-occupant borrowers or co-signers.

2.9 Prohibited Loans (Rev. 12/13)

A MCC will not be issued in conjunction with a mortgage loan funded, directly or indirectly from the proceeds of a Mortgage Revenue Bond or a Qualified Veterans' Mortgage Bond. Other programs that are not permitted include, but are not limited, to FHA 203(k) and USDA 502 Direct Loan Program.

2.10 No Interest Paid to Related Parties (Rev. 12/13)

No interest on the Certified Indebtedness Amount (the loan amount) can be paid to a related person. When the associated mortgage loan is closed, a related person cannot have nor be expected to have, an interest as a creditor in the mortgage loan.

2.11 Federal Recapture Tax (Rev. 12/13)

A Recapture Tax applies to allow the federal government in certain circumstances to retrieve a portion of the benefit from receiving a MCC. However due to the factors considered in calculating the tax, not all borrowers may be subject to the recapture tax.

The recapture tax a borrower might owe is determined at the time of sale of the property purchased in conjunction with a MCC. In cases where the borrower replaces the debt associated with the MCC with other financing within the first nine (9) years of ownership, and/or sells the property within the first nine (9) years of ownership, the payment of the recapture tax will be based on the year the debt associated with the MCC is replaced. The factors that must be considered in calculating the recapture tax (years of ownership, net profit from sale, and future family size and income) are unknown at the time of application, therefore making it impossible to determine a borrower's recapture tax at that time.

Lender's Responsibilities: At time of application, the lender must provide the applicant(s) with a copy of the Compliance Affidavit. The Compliance Affidavit provides the applicant with a brief description of the recapture tax.

For closing, lenders must prepare a Notice of Potential Recapture Tax on Sale of Home, available at https://ilrs.vhfa.org/, to provide to the borrower(s) as required under federal law.

VHFA is not responsible for calculating or collecting the recapture tax. The Internal Revenue Service collects any recapture tax owed and due. VHFA does not provide advice or assistance for tax preparation or planning. *Please see Recapturing (Paying Back) A Federal Mortgage Subsidy, in IRS Publication 523 for more information.*

Chapter 3 – Mortgage Credit Certificate

VHFA is authorized by the Interanl Revenue Service (IRS) to issue Vermonters, Mortgage Credit Certificates (MCC) to eligible applicants. A MCC may be issued with a lender funded mortgage loan as explained in this guide, or with a VHFA funded mortgage loan as explained in the MOVE MCC Procedural Guide.

In addition to the information provided in this Chapter, please refer to *Chapter 6 – Lender MCC IRS Requirements,* for information on lender required IRS reporting, record retention and revocation.

3.1 Mortgage Credit Certificate Rate and Tax Limits (Rev. 01/01/2019)

The following limits impact the tax credit the applicant is eligible to receive (subject to change):

- MCC Rate: The rate on the MCC issued by VHFA is 30%.
- Maximum Credit: The maximum tax credit the holder is entitled to may not exceed 30% of the interest paid. The remaining interest paid may be taken as a standard deduction.
- Tax Liability: The tax credit may not exceed the holder's total tax liability for the tax year.

3.2 How a Mortgage Credit Certificate Works (Rev. 01/01/2019)

A Mortgage Credit Certificate (MCC) is a federal income tax credit that is determined based on a percentage of annual mortgage interest paid. VHFA currently issues MCCs at 30% of the annual mortgage interest paid not to exceed $2,000. A borrower who has obtained a MCC may use the remaining 70% of annual mortgage interest paid if itemizing deductions.

A MCC is a direct dollar for dollar reduction in the total federal income taxes a homeowner owes. The basic formula for calculating a MCC is as follows:

Mortgage Interest Paid for year on Certified Indebtedness X 30% = Amount of Credit

Examples:

Example A: If the original principal balance is $150,000 at a rate of 4.75% with a 30 year amortization, the borrower would pay approximately $7,075 in interest for the first year. A MCC allows the borrower to take up to 30% of the $7,075as a mortgage tax credit not to exceed $2,000. In this case, 30% of the annual interest paid is $2,122.50 and the borrower may be able to take the maximum credit of $2,000.

Example B: If the original principal balance is $125,000 at a rate of 4.75% with a 30 year amortization, the borrower would pay approximately $5,896 in interest for the first year. A MCC allows the borrower to take up to 30% of the $5,896 as a mortgage tax credit not to exceed $2,000. In this case, 30% of the annual interest paid is $1,768.80 and the borrower would be able to take a maximum credit of $1,768.80.

The preceding example is for reference only. It is the responsibility of the potential holder to understand how a MCC is used and all tax restrictions and requirements. VHFA will not provide guidance or advice in regards to tax preparation

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3.3 Carry Forward and Dividing the Credit (Rev. 01/01/2019)

Should the amount of the credit created by the MCC exceed the holder's total tax liability, the portion of the unused credit can be carried forward for up to three (3) years, so long as the Credit Rate does not exceed 30%.

If the property has multiple owners, and each mortgagor is acknowledged as a Holder on the MCC, the credit may be divided as long as it does not exceed the total credit created by the MCC.

3.4 Permissible Fees (Rev. 12/13)

VHFA requires a $1,000 fee be submitted with the closing documents for issuance of the MCC. The fee must be from the closing attorney or the lender. Personal checks will not be accepted.

Lenders may collect and retain up to $250.00 for a processing fee. Any fee paid to the lender must be disclosed in compliance with Regulation Z and Federal TILA requirements.

Lenders can only charge an applicant for a MCC those reasonable fees for processing the financing as they would charge a potential borrower applying for financing that was not combined with a MCC.

3.5 MCC Assumptions, Transfers and Reissuing (Rev. 12/13)

The original holder(s) of a MCC are the only persons eligible to receive the benefit of the MCC credit. The following applies to all MCCs:

- MCCs may not be assumed by or transferred to any person assuming the first mortgage associated with the MCC.
- After the MCC is issued, additional persons may not be added as holders. Only the original mortgagor(s) will be included on a MCC.
- MCCs will not be reissued if the holder refinances the first mortgage that was the basis of the MCC.

3.6 MCC Filing Requirements (01/01/2019)

Each lender is responsible for filing a report annually with the IRS see *Chapter 6 – Lender MCC IRS Requirements*

Each borrower who has been issued a Mortgage Credit Certificate is responsible for independently filing the tax credit annually and ensuring they are still eligible to use the tax when filing IRS tax returns. The IRS Form 8396 is required.

Internal Revenue Service; www.irs.gov

Chapter 4 – Eligibility

4.1 Mortgage Eligiblity (Rev. 11/15)

VHFA does not review or underwrite the first mortgage loan the MCC is based on when the lender is responsible for providing financing that will not be delivered to VHFA. All underwriting and proper closing of the first mortgage is the responsibility of the lender.

VHFA's determination of eligibility is solely limited to the eligibility requirments for a MCC.

4.2 Qualfying with a MCC (Rev. 12/13)

Fannie Mae, Freddie Mac and government guarantee programs **may** permit the reduction in federal income tax burden to be considered as additional disposable income. It is the lender's responsibility to follow all the applicable guidelines for origination of the mortgage loan.

If income is adjusted for the MCC, the FNMA Underwriting Transmittal1008 must reflect that information.

An IRS W-4 reduction in federal income tax burden does not impact the calculation of Federal Act Income as described in *Chapter 2.2 – Federal Act Income Limits*.

4.3 Eligible MCC Holders (Rev. 11/15)

Only persons that have been determined eligible by VHFA, approved borrowers and non-borrowing spouse, can be a holder of a MCC. The MCC will also not be issued if non-eligible borrowers are incuded on the loan or on Title.

4.4 Loan Types (Rev. 3/17)

VHFA requires sufficient information from the lender that the loan product being used meets the minimum MCC Compliance guidelines. Lenders may offer any financing instrument legally being used for a first mortgage using their own available terms and requirements, except for the prohibited funding sources per *Section 2.9 – Prohibited Loans*. There are no program-imposed restrictions on loan term or amortization methods.

4.5 Eligible Property Types (Rev. 12/13)

The following property types are eligible under the MCC Program:

- New and existing 1unit detached
- New and existing condominium units
- Existing 2 unit detached occupied as a residence for five years prior to the date of the mortage.
- New and existing manufactured housing permanently affixed to owned land (no leased land). The manufactured housing must be placed on a permanent foundation with the wheels, axle and hitch removed. The property must be financed as real estate.

It is the lender's responsibility to determine that manufactured housing is eligible. While VHFA retains the right to request additional documentation for manufactured housing, the determination that the unit is permanently affixed is the lenders responsibility. If it is determined by the IRS the property is not eligible, the MCC is subject to revocation.

4.6 Property Improvements (Rev. 12/13)

If there are improvements made to the property, the final acquisition cost paid by the borrower must be confirmed prior to the issuance of a MCC. The following must be provided prior to issuance of the MCC:

- Copy of a Completion Certificate from the appraiser or sufficient documentation for the property inspector clearly defining the improvements that were completed.
- Documentation to verify the source of funds for the cost of all improvements.
- Revised Federal Act Income and Acquisition Cost Worksheet reflecting all costs to the borrower.
- Revised Compliance Affidavit reflecting the accurate Acquisition Cost per the worksheet.

If repairs are not completed prior to the loan closing, the MCC will not be issued until the final acquisition cost to the borrower can be verified. A delay in providing information may impact the effective date of the MCC and the borrower's ability to benefit from the MCC in the year the associated mortgage loan closed.

See *Chapter 2.5, New Mortgage Requirements and Short-Term Debt* for further requirements related to short-term loans.

Chapter 5 - Process and Document Submission

5.1 Reservation Process and Terms (Rev. 3/17)

To reserve a MCC for an applicant, the lender must submit a VHFA on-line MCC Reservation from https://ilrs.vhfa.org/.

Upon receipt of the Reservation request, VHFA will issue a Reservation Confirmation and Compliance Checklist. The Reservation and Compliance Checklist includes the **Compliance Submission Date** (30 days from Reservation), and **Final Issue Date** (110 days from the date of Reservation). The Reservation Confirmation and Compliance Checklist is conditionally issued based on lender provided information and does not guarantee future issuance of a MCC.

To withdraw a MCC Reservation notify VHFA in writing at *homeownershipdept@vhfa.org*.

5.2 Compliance Submission (Rev. 03/01/2019)

Documentation required to determine VHFA compliance for the borrower(s), non-borrowers and the property must be submitted to VHFA.

If all submission documents are satisfactory, VHFA will issue a Conditional Commitment that includes the post-closing documents the lender is required to deliver to VHFA. VHFA's review and acceptance of submitted documents does not guarantee future issuance of a MCC.

To be acceptable, documents cannot be more than 90 days old from the date of receipt. If any documents are signed by a person who has a limited Power of Attorney (POA) or is a court authorized signer for the borrower(s), a copy of the recorded POA authorization must be submitted and all documents must be signed appropriately. VHFA reserves the right to require additional documentation.

If any VHFA form is deemed incomplete or inaccurate a new form must be fully executed before Conditional Commitment will be issued. Corrected or modified copies of any VHFA forms will not be accepted.

MCC compliance submission - send copies of all documents:

- **VHFA Federal Act Income and Acquisition Cost Worksheet** *See Forms Appendix.*
- **VHFA MCC Compliance Affidavit** *See Forms Appendix.*
- **Federal Tax Returns** for each borrower and non-borrowing spouse:
  - **Addison, Bennington, Chittenden, Grand Isle & Windsor counties**: 3 most recent tax filing years
  - **All other counties**: most recent tax filing year
- **FNMA Underwriting Transmittal 1008/Freddie Mac 1077 or Government equivalent**
- **Uniform Residential Loan Application (current FNMA/FHLMC)** signed by all applicants.
- **Updated Credit Report** that includes credit scores for all applicants.
- **Income Verification** sufficient to determine total Federal Act Income
- **Purchase and Sale Agreement** fully signed with all addenda and attachments.
- **Residential Appraisal Report** complete copy of the report applicable to the property type with clear photos of the subject property. If the property is subject to a lease agreement or covenant, the appraisal must be completed accordingly.

5.3 Conditional Commitment (Rev. 3/17)

Upon receipt and acceptance of all documentation required per the Reservation Confirmation and Compliance Checklist, VHFA will issue a Conditional Commitment outlining the minimum documents and terms for submission to VHFA.

The Conditional Commitment also includes the Final Issue Date VHFA will issue a MCC. If the MCC has not been issued by the Final Issue Date, the Conditional Commtment may be cancelled.

To withdraw a MCC Reservation, notify VHFA in writing at *homeownershipdept@vhfa.org*.

5.4 Final Document Submission (Rev. 03/01/2019)

Immediately after the loan closing, the following documents must be delivered to VHFA. VHFA reserves the right to request additional documents.

MCC post-closing submission - send copies of all documents:

- **ORIGINAL VHFA Reaffirmation of Affidavit** *See Forms Appendix*)
- **Processing Fee –** In the amount of $1,000. A certified or attorney trustee account check payable to Vermont Housing Finance Agency is required. Personal checks will not be accepted.
- **VHFA MCC Notice to Holder** *See Forms Appendix*
- **VHFA MCC Closing Affidavit** *See Forms Appendix*
- **VHFA Notice to Mortgagor of Maximum Recapture Tax**
- **Executed Note**
- **Closing Disclosure** for the borrower
- **Final FNMA Underwriting Transmittal 1008/Freddie Mac 1077 or Government equivalent.**
- **Final Uniform Residential Loan Application (current FNMA/FHLMC)** signed by all borrowers
- **If repairs** were completed to the property, a revised Federal Act Income and Acquisition Cost Worksheet and Compliance Affidavit with supporting documentation on the final costs to the borrower must be provided for final determination of the acquisition cost.

VHFA will review the documentation and notify the lender of either conditions or acceptance. If any VHFA form is deemed incomplete or inaccurate a new form must be fully executed before Post-Closing Approval will be issued. Corrected or modified copies of any VHFA forms will not be accepted.

- If the documentation received for the MCC is not acceptable, VHFA will notify the lender.
- If the documentation is acceptable, VHFA will issue the MCC directly to the borrower, and provide a copy to the lender.

Chapter 6 – Lender MCC IRS Requirements

6.1 Federal Reporting Requirements (Rev. 12/13)

Lenders are responsible for meeting the IRS requirements for filing an annual report, using IRS Form 8329, to summarize the lender's annual MCC activity. Each report must be filed at the applicable Internal Revenue Service Center on or before January 31st of the year following the calendar year to which the report relates.

VHFA will provide the lender with a summary report following the end of each calendar year with information that may be required to complete the form, including:

- VHFA Loan Number
- MCC Holder Name
- MCC Holder Social Security Number
- Property Address
- Amount of Certified Indebtedness related to the MCC
- Date MCC was issued
- Credit Certificate Rate
- Amount of MCC Issued

While VHFA will provide this information to lenders as a courtesy, it is the lenders sole responsibility to report the correct information and meet all IRS requirements for filing form 8329 directly with the IRS.

For more information regarding lender reporting requirements, including all the information IRS Form 8329 requires lenders to track, and penalties for failure to file, see IRS Temp. Reg. {1.25-8T}.

6.2 Record Retention Requirements (Rev. 12/13)

The lender must follow all IRS guidelines regarding retention of information and documents associated with MCCs. **At minimum, the lenders must retain the following for Six (6) years:**

- Name, address, TIN of the Issuer
- Closing Date of the mortgage loan associated with the MCC, Certified Indebtedness Amount, and Certificate Credit Rate
- Name, address, TIN (Social Security Number or Tax Identification Number) of the MCC holder

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6.3 Revocation of Mortgage Credit Certificate (Rev. 12/13)

Should the lender become aware of information that varies from any of the information represented to the lender, VHFA, or the IRS due to neglect or fraudulent acts, it is the responsibility of the lender to inform VHFA immediately. The holder's MCC may be subject to revocation and other penalties from the IRS.

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VERMONT HOUSING FINANCE AGENCY

FORMS APPENDIX

Federal Act Income and Acquisition Cost Worksheet
Federal Act Income Worksheet and Acquisition Cost Worksheet Form #S-601

Summary of MCC Compliance Affidavit
Compliance Affidavit Form #MCC-2014A

Reaffirmation of Affidavit
Reaffirmation of Affidavit Form #S-645mbs

MCC Notice to Holder
Notice of Holder Form #MCC-2014B