

**Missouri Housing Development Commission
Tax Credit Loan Program**

Outline of Program Terms

Purpose	To enable first-time homebuyers in need of closing cost and down payment assistance to borrow funds on a short-term basis in anticipation of the federal income tax credit for first-time homebuyers.
Second Mortgage Description	A tax credit loan will be secured by a second mortgage on the home. Except for the administrative charge netted out of the loan, the tax credit loan will not bear interest initially. MHDC expects the tax credit loan will be repaid from the tax refund available to the homebuyer as a result of the federal income tax credit. In the event the loan is not repaid by June 1, 2010, it will bear interest at the rate on the first mortgage loan funded by MHDC, plus 50 basis points, payable monthly. In addition, the tax credit loan will amortize monthly over a ten-year period beginning on July 1, 2010. Payments of principal and interest will be substantially level.
Maximum Loan Amount	The maximum allowable amount of the tax credit loan will determined by the lender and will be the lesser of: <ul style="list-style-type: none">(i) the closing costs and down payment amount not to exceed 6% of the sales price of the home, and(ii) 90% of the tax credit amount permitted by federal tax law <u>minus</u> the highest taxes owed in either of the two preceding years after netting out withholding and estimated taxes; <u>provided</u>, that if any borrower's marital status, number of dependents or employer has changed during the past two years, MHDC will determine the maximum loan amount.
Loan Amount	The loan amount for any tax credit loan will be the amount requested by the homebuyer not to exceed the Maximum Loan Amount.
Loan Underwriting	To assure that a homebuyer can afford the payments on the tax credit loan if it cannot be repaid for any reason with the federal tax credit, the first mortgage loan will be underwritten taking into account the scheduled principal and interest payments on the tax credit loan.
Administrative Charge	Each tax credit loan will be subject to an administrative charge of \$350, which will be netted out of the loan at closing. By using a single charge MHDC can provide a specific repayment amount for each loan at the time it is funded, simplifying the repayment process for each homebuyer.



Reimbursement for Potential Losses

To protect against potential losses on tax credit loans, MHDC will increase the interest rate on the first mortgage loan in an amount projected to compensate for those losses.

Disclosure

Each homebuyer participating in the tax credit loan program will be required to participate in an on-line counseling session that describes the terms of the loan, the nature of the second mortgage, the requirement to obtain the tax credit and the required repayment of the tax credit if the home is sold or no longer their principal residence within three years of purchase. Each homebuyer will also be required to sign a certificate indicating they received the counseling and that also states the same information contained in the counseling session.

Documentation

Each homebuyer will receive a tax credit borrower form detailing information about their home purchase, including the purchase price, the date of purchase, the IRS forms for obtaining the credit, repayment information and other information expected to assist the homebuyer in obtaining the tax credit refund and repay MHDC.

Follow-Up

MHDC will maintain a list of homebuyers obtaining the tax credit loan. During tax season MHDC will re-send the information form to assist the homebuyer in correctly filing their taxes in order to obtain the tax credit. Homebuyers who have not repaid their tax credit loan will be contacted to remind them of the tax credit and the need to correctly file their taxes to obtain their refund and repay MHDC.

