Mortgage Credit Certificate Program Q&A

*Updated April 29, 2019*

**What is the Mortgage Credit Certificate (MCC) Program?**

The MCC program is a home buyer assistance program designed to help lower-income families afford home ownership. The program allows home buyers to claim a dollar-for-dollar tax credit for a portion of mortgage interest paid per year, up to $2,000. The remaining mortgage interest paid may still be calculated as an itemized deduction.

After an MCC is issued, the homeowner receives a tax credit equal to the product of the mortgage amount, the mortgage interest rate, and the “MCC percentage,” a rate the administering Housing Finance Agency (HFA) sets between 10 and 50 percent.

Here is a sample MCC calculation that shows how this works:

\[
\text{Credit} = \text{Mortgage Amount} \times \text{Mortgage Interest Rate} \times \text{MCC Percentage} \\
= \$150,000 \times 4\% \times 20\%
\]

Thus, the borrower would be able to claim $1,200 in credit on his or her annual tax return.

To be eligible, individuals must be first-time home buyers, meet the program’s income and purchase price restrictions, and use the home as his/her primary residence. MCCs generally are subject to the same eligibility and targeted area requirements as Mortgage Revenue Bonds (MRBs).

The MCC program was established by the Deficit Reduction Act of 1984 and modified by the Tax Reform Act of 1986.

**Who Administers the Mortgage Credit Certificate Program?**

State and local HFAs administer the MCC program. The MCC statute permits them to convert private activity bond (PAB) volume cap authority to MCC authority on a four-to-one basis. The issuer’s role is largely limited to issuing the MCC. It is up to the borrower to file the IRS form and claim the Credit annually.

**Who does the Mortgage Credit Certificate Program Serve?**

The MCC program serves low to moderate income borrowers, generally first-time home buyers who earn no more than the greater of their statewide or area median income.

In 2017, the latest year for which data is available, 33 states issued nearly 32,000 MCCs. 40 percent of MCC borrowers were minorities and 6 percent were female heads of household. 81 percent of MCC borrowers in 2016 earned at or below area median income. Since the inception of the program, state HFAs have issued over 295,000 MCCs.
Is NCSHA Proposing any Changes to the Program?

While the program has several advantages – it provides a relatively constant level of benefit to first-time home buyers regardless of the spread between market and MRB rates and it allows issuers to vary the subsidy amount depending on circumstances and among different home buyers, e.g., by income - the program also has some impediments to broader use.

NCSHA proposes strengthening the MCC program by making it more efficient and easier to administer by:

- Allowing HFAs to recycle MCCs.
- Allowing HFAs the flexibility to shorten the MCC term and/or to “front-load” its benefits.
- Simplifying the MCC calculation.
- Eliminating the annual credit cap.
- Allowing HFAs to restrict MCC eligibility to home buyers using HFA mortgage products.
- Extending the MCC revocation period.
- Extending the MCC expiration period.
- Reducing the MCC public notice requirement to bring it in line with public hearing requirements for private activity bonds.
- Modifying or eliminating the lenders’ annual reporting requirement.
- Changing the program name.