



**MARYLAND MORTGAGE**  
*Making Homeownership Affordable*

## FACT SHEET: MARYLAND HOMECREDIT (MORTGAGE CREDIT CERTIFICATES)

### THE MARYLAND HOMECREDIT PROGRAM CLOSED FOR NEW RESERVATIONS ON 6/19/2020 (PER DIRECTIVE 2020-11). EXISTING MORTGAGE CREDIT CERTIFICATES (MCCs) MAY STILL BE RE-ISSUED IN THE CASE OF REFINANCE (SEE DIRECTIVE 2018-28) USING AN MCC-APPROVED LENDER.

The Maryland HomeCredit Program provides Mortgage Credit Certificates (MCCs) which entitle eligible borrowers to claim a federal income tax credit equal to a percentage (the "Certificate Credit Rate" stated below) of the interest paid during that tax year on a mortgage loan covered by the MCC, up to a maximum of \$2,000 per year. This can be claimed every year for the life of the first mortgage. This is a dollar-for-dollar reduction against the borrower's annual federal tax liability. The borrowers claim the credit on their federal income tax return by using IRS Form 8396, Mortgage Interest Credit. The remaining balance of the mortgage interest may continue to qualify as an itemized deduction.\*

<b>ISSUER</b>	<p>Issuer of the MCC is the Maryland Community Development Administration (CDA). Borrowers can obtain an MCC by making application through:</p> <ul style="list-style-type: none"> <li>An approved Maryland Mortgage Program (MMP) Lender, who will process the MCC application along with the borrowers' application for the mortgage loan, or</li> <li>An approved MD HomeCredit Program-only lender. The lender will process the MCC application through CDA at the same time that they independently process the borrowers' non-MMP mortgage loan.</li> </ul> <p>The MCC can be issued together with any participating lender's fixed rate first mortgage loan that meets program criteria. It cannot be used with local housing agency tax exempt bond loans.</p>
<b>DURATION</b>	CDA may extend, discontinue or modify the program at any time. Lenders will be notified of changes and existing reservations will be honored.
<b>PURPOSE</b>	To enable Maryland homebuyers to benefit from the IRS tax credit.
<b>CERTIFICATE CREDIT RATE</b>	25% (This rate entitles the borrower to claim 25% of the interest paid during the year on a mortgage loan, up to a maximum of \$2,000 per year, as a dollar-for-dollar reduction against the borrower's annual federal tax liability*).
<b>MCC ISSUANCE/ REISSUANCE FEES</b>	<p><b>CDA MCC fees:</b></p> <ul style="list-style-type: none"> <li>MCC-Only: \$1,100 per MCC</li> <li>MCC with an MMP loan: \$450 per MCC</li> <li>MCC Reissue for a refinance done with or without an MMP refinance loan: \$450 per MCC</li> </ul> <p><b>Lender MCC fees</b> (lenders can establish their own fees within these guidelines)</p> <ul style="list-style-type: none"> <li>MCC-Only: up to \$700 per MCC</li> <li>MCC with an MMP loan: up to \$350 per MCC</li> <li>MCC Reissue for a refinance done with or without an MMP refinance loan: \$350 per MCC</li> </ul>

*\*In addition to the tax law requirements, the MD HomeCredit Program has other requirements that determine a borrower's eligibility for an MCC. Please speak with a participating lender regarding the MD HomeCredit Program's eligibility requirements.*

*MCCs issued under the MD HomeCredit Program may be revoked in the event of noncompliance with the eligibility requirements and in particular will be automatically revoked if the MCC holder ceases to use the residence covered by the MCC as a principal residence.*

*Any borrower wishing to apply for an MCC should contact a tax advisor for his particular situation.*

For more information, please visit:

**[mmp.Maryland.gov/](http://mmp.Maryland.gov/)**  
**MDHomeCredit**

Single Family Housing - Community Development Administration  
Maryland Department of Housing and Community Development  
7800 Harkins Road • Lanham, MD • 20706  
SingleFamilyHousing\_dhcd@maryland.gov  
Toll Free (Maryland Only): 800-638-7781





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### ELIGIBLE BORROWERS\*

- **Residence requirement.** The loan (first mortgage) must be secured by a lien on a one-unit single-family residence which can reasonably be expected to become the principal residence of the borrower within 60 days. The residence must be located in the State of Maryland.
- **First-time homebuyer requirement.** The borrower must not have owned a principal residence anywhere at any time during the three-year period prior to the loan. This requirement does not apply to:
  - Purchases of homes in "targeted areas." Information about targeted areas is available on the Maryland Department of Housing and Community Development's website at <http://mmp.maryland.gov/Pages/Targeted-Areas.aspx>; or
  - A borrower who is an honorably discharged veteran who has not previously used the first-time homebuyer exemption. This is in accordance with the Heroes Earnings Assistance and Relief Tax Act of 2008, as amended. A DD-214 form must be submitted to document veteran status, and a Veteran First-Time Homebuyer Exemption Certification (Attachment V) must be completed.
- **Income and purchase price limits.** The annual household income of borrowers cannot exceed specified limits based generally on area median income, family size, location of the residence in a targeted area, and housing costs. The current income and purchase price limits are listed on the MMP website at: <http://mmp.maryland.gov/Pages/Detailed-Income-Eligibility.aspx>.

### RECAPTURE TAX

Borrowers who sell their residences within nine years may be subject to a "recapture tax" under section 143(m) of the Internal Revenue Code. CDA will reimburse the borrowers for the recapture tax on sales of residences that were financed by CDA through its Maryland Mortgage Program. CDA will not make reimbursements on non-MMP mortgage loans.

### APPROVED LENDERS

- A list of approved lenders can be found on the website at [mmp.maryland.gov/MDHomeCredit](http://mmp.maryland.gov/MDHomeCredit).
- Borrowers must use an approved lender to obtain an MCC or MCC-REISSUE, but are not required to get an MMP loan.

### MCC-ONLY

Purchasing the Maryland HomeCredit along with a non-MMP loan is called an MCC-ONLY. The following applies to MCC-ONLY transactions:

- Homebuyer education is not required, but is still encouraged.
- Asset test is not required.
- Minimum middle credit score of 640.
- DTI is still 45%, but may qualify for an exception up to 50%.
- CDA will not reimburse borrowers for any recapture tax.
- Transactions must still be approved through CDA pre-closing and post-closing compliance.
- Certificate is issued to the borrower at closing for a house purchase; it is not a stand-alone option.
- CDA does not provide a report of MCC-ONLY transactions to the lender.
- Other MMP or agency/insurer requirements still apply, including: first-time homebuyer, not owning other property, principal residence, income and purchase price limits, and other requirements not specifically mentioned here.

Borrowers who are refinancing a loan with an existing MCC can have the MCC reissued, even if they are refinancing into a non-MMP loan product (although the refinance and reissue must be done with an MMP lender approved to offer MCCs). The following applies to reissue transactions:

### MCC-REISSUE

- Fee to CDA is \$450; lenders can charge up to \$350 for their fee.
- Refinance with an MMP refinance loan: Use the regular first mortgage checklists (CC and EE).
- Refinance with a non-MMP refinance loan: Use MCC-Reissue checklists (JJ and KK).

For more information, please visit:

**[mmp.Maryland.gov/](http://mmp.Maryland.gov/)**  
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