

Mortgage Credit Certificate Program

Presented By:



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Overview

- Define Affordable Housing
- What is Mortgage Credit Certificate
 - Enabling Legislation
 - How The MCC Program Works
 - Who is Eligible?
 - Tax Deductions
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 - Income Limits 115% AMI
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 - Family of 4 Prequalification With MCC
 - MCC Amortization schedule
 - Buying Power with MCC
 - Economic Impact
- Status of MCC Program

Define Affordable Housing

- The generally accepted definition of affordability is for a household to pay no more than 30 percent of its annual income on housing. Families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.
- Example $\$50,000 \times 30\% = \$15,000 / 12 = \$1,250$

What Is Mortgage Credit Certificate?

- The MCC is an income tax credit.

With the MCC, the qualified homebuyer is eligible to reduce their amount of income tax liability equal to a portion of the annual interest paid on their mortgage in the form of a special tax credit

Enabling Legislation

- Enactment was made possible through the 1984 Tax Reform Act passed by the United States Congress
- Implemented by the HOMES task force appointed by the 25th Guam Legislature
- Guam Public Law 25-111; Known as “The Mortgage Credit Certificate Program Act of 2000”
- Administered by Guam Housing Corporation
- Volume Cap Annually allocated by GEDA

How the MCC Program Works

- The amount of the credit is equal to 15% to 20% of the annual interest paid.
 - 80% Area Median Income; 20% MCC
 - 81-115%% Area Median Income; 15% MCC
- The Credit is directly applied to the homebuyer's W-4 thereby increasing the monthly take home pay
- IRS Form 8396 is attached with your Tax returns
- The lender takes into consideration the new revised income from the homebuyer due to the MCC credit

Who is Eligible?

- Must be a First-Time Homeowner as defined by law
- Homebuyers whose income falls within the adjusted median income limits between 80%-115% Area Median Income
- The home must become the buyer's principal residence

Tax Deductions

- Mortgage Credit Certificate recipients can still claim the remaining amount of annual mortgage interest paid as a tax deduction

Recapture Tax

- A home built or purchased with an MCC must be owned and occupied by the MCC recipient
- MCC recipients may be subject to a recapture tax if they sell the home built or purchased within 9 years of the construction or purchase

USDA Section 502 Guaranteed Housing Income Limits

No. Persons	1 to 4	5 to 8
Low Income 80% AMI	\$50,400.00	\$66,550.00
Moderate Income 115% AMI	\$74,050.00	\$97,750.00

Prequalification Without MCC

Annual Income	73000		Pymt; equiv.rate of int.	0	0	Adjusted Income * 22% / 12	N/A	1025
			(round up to \$)		(38 yrs)	(minus Tax & Ins)		
ctions	960		Real Estate Tax; Month	50	50	Adjusted income * 24% / 12	N/A	1145
					(38 yrs)	(minus Tax & Ins)		
sted Annual Income	72,040		Property Insurance	246	246	Adjusted income * 26% / 12	N/A	1265
					(38 yrs)	(minus Tax & Ins)		
Repayment Income	73,000		PITI @ equiv. rate of int.	296	N/A			
Cost	270,000		(round up to \$)		(38 yrs)	Max Floor Rate	N/A	
idies	0							
er Amount	270,000							
Amount RD	0		Monthly Debts	800				
sted Annual Income equals	114.35	%	OVER INCOME LIMIT			Monthly Note rate Installment	0	N/A
edian income.			Lender rate	5				(38 yrs)
			RHS			Monthly Payment	0	N/A
alent rate of interest	N/A	%	Note Rate	4.625				(38 yrs)
	9.5	%				Monthly payment subsidy	0	N/A
or @ Equiv Rate of	FALSE	N/A	Factor 33 yrs	2.97				(38 yrs)
Interest	33 yrs	38 yrs	Factor 38 yrs	2.64				
Repayment Calculation								
Monthly RD payment	0		PITI	28.7	%	Too High	Total Debt Ratio Exceeds Qualifying Ration of 41%	
Taxes & insurance	296		TD	41.8	%			
Conv Lender pymt/ mo	1449							
MCC	0							
Total Payment	1745							
38 year Repayment Calculation								
RD (38 year) payment	0		PITI 38	N/A	%			
Taxes & insurance	0		TD 38	N/A	%			
Total 38 yr Payment	0						38 year terms?	N/A

Loan Amortization Schedule

Loan Amortization Schedule

Enter values	
Loan amount	\$ 270,000.00
Annual interest rate	5.00 %
Loan period in years	30
Number of payments per year	1
Start date of loan	7/1/2012
Optional extra payments	\$ -

Lender name:

Loan summary	
Scheduled payment	\$ 17,563.89
Scheduled number of payments	30
Actual number of payments	30
Total early payments	\$ -
Total interest	\$ 256,916.62

Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest	MCC 15% Credit	Monthly
7/1/2013	\$ 270,000.00	\$ 17,563.89	\$ -	\$ 17,563.89	\$ 4,063.89	\$ 13,500.00	\$ 265,936.11	\$ 13,500.00	\$ 2,025.00	\$
7/1/2014	265,936.11	17,563.89	-	17,563.89	4,267.08	13,296.81	261,669.03	26,796.81	\$ 1,994.52	\$
7/1/2015	261,669.03	17,563.89	-	17,563.89	4,480.44	13,083.45	257,188.59	39,880.26	\$ 1,962.52	\$
7/1/2016	257,188.59	17,563.89	-	17,563.89	4,704.46	12,859.43	252,484.14	52,739.69	\$ 1,928.91	\$
1/1/2017	252,484.14	17,563.89	-	17,563.89	4,939.68	12,624.21	247,544.46	65,363.89	\$1,893.63	\$1
7/1/2018	247,544.46	17,563.89	-	17,563.89	5,186.66	12,377.22	242,357.79	77,741.12	\$ 1,856.58	\$
7/1/2019	242,357.79	17,563.89	-	17,563.89	5,446.00	12,117.89	236,911.79	89,859.01	\$ 1,817.68	\$
7/1/2020	236,911.79	17,563.89	-	17,563.89	5,718.30	11,845.59	231,193.50	101,704.60	\$ 1,776.84	\$
7/1/2021	231,193.50	17,563.89	-	17,563.89	6,004.21	11,559.67	225,189.28	113,264.27	\$ 1,733.95	\$
7/1/2022	225,189.28	17,563.89	-	17,563.89	6,304.42	11,259.46	218,884.86	124,523.73	\$ 1,688.92	\$
7/1/2023	218,884.86	17,563.89	-	17,563.89	6,619.64	10,944.24	212,265.22	135,467.98	\$ 1,641.64	\$
7/1/2024	212,265.22	17,563.89	-	17,563.89	6,950.63	10,613.26	205,314.59	146,081.24	\$ 1,591.99	\$
7/1/2025	205,314.59	17,563.89	-	17,563.89	7,298.16	10,265.73	198,016.43	156,346.97	\$ 1,539.86	\$
7/1/2026	198,016.43	17,563.89	-	17,563.89	7,663.07	9,900.82	190,353.36	166,247.79	\$ 1,485.12	\$
7/1/2027	190,353.36	17,563.89	-	17,563.89	8,046.22	9,517.67	182,307.15	175,765.46	\$ 1,427.65	\$
7/1/2028	182,307.15	17,563.89	-	17,563.89	8,448.53	9,115.36	173,858.62	184,880.82	\$ 1,367.30	\$
7/1/2029	173,858.62	17,563.89	-	17,563.89	8,870.96	8,692.93	164,987.66	193,573.75	\$ 1,303.94	\$
7/1/2030	164,987.66	17,563.89	-	17,563.89	9,314.50	8,249.38	155,673.15	201,823.13	\$ 1,237.41	\$
7/1/2031	155,673.15	17,563.89	-	17,563.89	9,780.23	7,783.66	145,892.92	209,606.79	\$ 1,167.55	\$
7/1/2032	145,892.92	17,563.89	-	17,563.89	10,269.24	7,294.65	135,623.68	216,901.43	\$ 1,094.20	\$
7/1/2033	135,623.68	17,563.89	-	17,563.89	10,782.70	6,781.18	124,840.98	223,682.62	\$ 1,017.18	\$
7/1/2034	124,840.98	17,563.89	-	17,563.89	11,321.84	6,242.05	113,519.14	229,924.67	\$ 936.31	\$
7/1/2035	113,519.14	17,563.89	-	17,563.89	11,887.93	5,675.96	101,631.21	235,600.62	\$ 851.39	\$
7/1/2036	101,631.21	17,563.89	-	17,563.89	12,482.33	5,081.56	89,148.88	240,682.18	\$ 762.23	\$
7/1/2037	89,148.88	17,563.89	-	17,563.89	13,106.44	4,457.44	76,042.44	245,139.63	\$ 668.62	\$
7/1/2038	76,042.44	17,563.89	-	17,563.89	13,761.77	3,802.12	62,280.68	248,941.75	\$ 570.32	\$
7/1/2039	62,280.68	17,563.89	-	17,563.89	14,449.85	3,114.03	47,830.82	252,055.78	\$ 467.11	\$
7/1/2040	47,830.82	17,563.89	-	17,563.89	15,172.35	2,391.54	32,658.48	254,447.32	\$ 358.73	\$
7/1/2041	32,658.48	17,563.89	-	17,563.89	15,930.96	1,632.92	1			

Annual Income	73000		Pymt; equiv.rate of int.	0	0	Adjusted Income * 22% / 12	N/A	1025
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Repayment Income	73,000		PITI @ equiv. rate of int.	296	N/A			
Cost	270,000		(round up to \$)		(38 yrs)	Max Floor Rate	N/A	
idies	0							
ler Amount	270,000							
Amount RD	0		Monthly Debts	800				
sted Annual Income equals	114.35	%	OVER INCOME LIMIT			Monthly Note rate Installment	0	N/A
adian income.			Lender rate	5				(38 yrs)
			RHS			Monthly Payment	0	N/A
alent rate of interest	N/A	%	Note Rate	4.625				(38 yrs)
	9.5	%				Monthly payment subsidy	0	N/A
or @ Equiv Rate of	FALSE	N/A	Factor 33 yrs	2.97				(38 yrs)
Interest	33 yrs	38 yrs	Factor 38 yrs	2.64				
Repayment Calculation								
Monthly RD payment	0		PITI	26.1	%	Total Debt Ratio Imroves from 41.8% to 39.2%		
Taxes & insurance	296		TD	39.2	%			
Conv Lender pymt/ mo	1449							
MCC	-158							
Total Payment	1587							
38 year Repayment Calculation								
RD (38 year) payment	0		PITI 38	N/A	%			
Taxes & insurance	0		TD 38	N/A	%			

Buying Power Improves with MCC

Income and Payment Calculations									
Annual Income	73000		Pymt; equiv.rate of int.	0	0	Adjusted Income * 22% / 12	N/A	1025	
			(round up to \$)		(38 yrs)	(minus Tax & Ins)			
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sted Annual Income	72,040		Property Insurance	246	246	Adjusted income * 26% / 12	N/A	1265	
					(38 yrs)	(minus Tax & Ins)			
Repayment Income	73,000		PITI @ equiv. rate of int.	296	N/A				
Cost	289,000		(round up to \$)		(38 yrs)	Max Floor Rate	N/A		
idies	0								
ler Amount	289,000								
Amount RD	0		Monthly Debts	800					
sted Annual Income equals	114.35	%	OVER INCOME LIMIT			Monthly Note rate Installment	0	N/A	
edian income.			Lender rate	5				(38 yrs)	
			RHS			Monthly Payment	0	N/A	
alent rate of interest	N/A	%	Note Rate	4.625				(38 yrs)	
	9.5	%				Monthly payment subsidy	0	N/A	
or @ Equiv Rate of	FALSE	N/A	Factor 33 yrs	2.97				(38 yrs)	
Interest	33 yrs	38 yrs	Factor 38 yrs	2.64					
Repayment Calculation									
Monthly RD payment	0		PITI	27.8	%				
Taxes & insurance	296		TD	40.9	%				
Conv Lender pymt/ mo	1551								
MCC	-158								
Total Payment	1689								
38 year Repayment Calculation									

With the Improve Debt Ratio The Buying Power improves by \$19,000

Economic Impact of An Existing Home Purchase

Home Price \$270,000

30 Year MCC

- Tax Credit \$38,500

30 Year Economic Impact

• Principal	\$270,000
• Interest	\$265,000
• Taxes	\$18,000
• Insurance	\$106,677
• Maintenance	\$72,000
Total	\$731,677

Economic Impact

30 Year MCC Department Of Revenue and
Taxation Impact

\$38,500.00

30 Year Windfall of Funds contributed to be
recycled

\$731,677.00

Note: This does not include food, power, and water and depending on source of funds ie; Freddie Mac, Fannie Mae or portfolio funds, impact may vary

Economic Benefits

- New Dollars to economy (Freddie or Fannie)
 - New Capital Infused
 - Banks make servicing fees and or spread
 - Capital recycles back to relend to community
- Trickle down effect
 - Realtors, escrow, appraisers, inspectors
 - Material supply companies
 - Developers and contractors
 - Cable, Telephone and Yard maintenance
 - Grocery

Economic Benefits

- Job Sustainability
 - Revenues earned by Insurance and Banks
 - Supply chain
 - Real Estates related industries
- New Aggregate Value for Government of Guam
 - Government Guam uses these new aggregate values to increase its ‘Debt Ceiling’ Capacity
 - With New Debt Ceiling Capacity Government can restructure its finances or borrow for other social and capital needs
- Government of Guam Revenues
 - Guam Power Authority
 - Guam Water Works
 - Real Property Tax

Status of Program

- GHC Rules and Regulations in Draft Form
 - GHC and DRT Rules Overview
- Legal Counsel Review and Amendments
- GHC Board of Directors Review and Approval
- Public Hearing
- Approval by the Guam Legislature
- Approval of the Governor of Guam



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