



PROGRAM RESOURCE MANUAL
HARRIS COUNTY HOUSING FINANCE CORPORATION
2018-2020 Mortgage Credit Certificate Program

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Fax/email Documents to Phyllis Constance at 832.379.2518:

1. Document 3;
2. Document 1 + worksheets;
3. Document 5+ 3 years' SIGNED tax returns;
4. Eligibility Tax Certificate;
5. Document 7; and,
6. Document 9
7. Document 13 (Must be accompanied by wiring instructions)

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Additional Documents:

Closing Disclosure (5 pages) with all signatures- Buyer-Seller (See Title Company Instructions, next page.)

**MCC CLOSING INSTRUCTIONS FOR TITLE COMPANY****HARRIS COUNTY HOUSING FINANCE CORPORATION MORTGAGE CREDIT CERTIFICATE (MCC)**

Title Company: _____

Lender: _____ GF# _____

Re: Closing instructions for HARRIS COUNTY HOUSING FINANCE CORPORATION MCC Program

Obtain signatures where appropriate and **fax** the following documents to
Harris County Administrator, Phyllis Constance to fax # 832-379-2518.

Item	Document	Resource Manual Page
1. MCC Cover Sheet	Doc 3	41
2. Reaffirmation of Applicant	Doc 4	56
3. Affidavit of Seller	Doc 6	58
4. Closing Affidavit	Doc 8	64
5. Closing Disclosure (5 pages) with all signatures- Buyer-Seller		

Mail check to:
Administrator, Phyllis Constance
11111 S. Sam Houston Parkway East
Houston, Texas 77089
281-484-4663

MAKE CHECK PAYABLE TO ADMINISTRATOR:

HARRIS COUNTY HOUSING FINANCE CORPORATION

1% MCC Program Participation Fee (1% of **TOTAL LOAN AMOUNT**)
plus \$275.00 Administration Fee



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INTRODUCTION & INFORMATIONAL MATERIALS

FOR FURTHER INFORMATION CALL:

PROGRAM MANAGER:

HARRIS HOUSING ADVISORS

8582 KATY FREEWAY, SUITE 202
HOUSTON, TX 77024
713.952.2363
713.458.9285 FAX
miller@harrishousing.com

STEVEN HARRIS
OLGA GARZA
KIMBERLY MILLER

PROGRAM MARKETING:

KNAPP COMMUNICATIONS, INC.

9450 Pinecroft, #8743
The Woodlands, TX 77387
713.569.5101
936.271.4664
www.knappcomm.com

Jeanne Knapp
jmknapp@knappcomm.com

PROGRAM ADMINISTRATOR:

SOUTHEAST TEXAS HOUSING FINANCE CORPORATION

CONTRACT ADMINISTRATOR
11111 S. SAM HOUSTON PARKWAY EAST
HOUSTON, TX 77089
281.484.4663, EXT 111
866.398.1263 TOLL-FREE
832.379.2518 MCC FAX

PHYLLIS CONSTANCE
p.constance@sethfc.com



POTENTIAL QUESTIONS

HARRIS COUNTY HOUSING FINANCE CORPORATION MORTGAGE CREDIT CERTIFICATE PROGRAM 2018-2020

1. **WHAT IS A MORTGAGE CREDIT CERTIFICATE (MCC)?** The MCC is a tax credit that will reduce the federal income taxes of qualified buyers purchasing a qualified residence. As a result, the MCC has the effect of reducing mortgage payments. Applications must be made to the Harris County Housing Finance Corporation's program administrator, prior to closing the loan. The MCC may not be used in connection with a bond loan or the refinancing of an existing loan.
2. **WHO IS ELIGIBLE TO RECEIVE MCCs?** Any first-time qualified home buyer (someone who has not owned a principal residence in the last 3 years) seeking financing for the purchase of an owner-occupied, principal residence within Harris County, **but NOT within the cities of Houston, Baytown, Deer Park, Friendswood La Porte, League City, Missouri City, Pasadena and Pearland.**
3. **WHAT ARE THE MAXIMUM INCOME AND PURCHASE PRICE LIMITS FOR THE PROGRAM?** There are limits on the maximum income the buyer can earn and obtain a Mortgage Credit Certificate as well as a limit on the amount of the Purchase Price. (The buyer also must meet loan qualification requirements):

Maximum Income Limit		
Number in Household	Non-Targeted Area	Targeted Area
1-2 Persons	\$76,300	\$91,560
3+ Persons	\$87,745	\$106,820
Maximum Purchase Price		
All Houses		
(New & Existing)	\$298,085	\$364,326

4. **WHAT IS A TARGETED AREA?** A targeted area includes certain qualified census tracts within the county where average income is much lower than median. Targeted area census tracts in Harris County are numbers 2222.00, 2227.00,* 2230.02, 2321.00, 2331.02, 2333.00,* 2405.01,* 2406.00,* 2408.01, 2415.00,* 2534.00,* 5330.00,* 5340.01, 5502.00* and 5503.01.* The tract numbers with asterisks after are those that are split into incorporated and unincorporated areas of Harris County. **Lenders should check the address with the tax assessors website to determine the location and whether it is a targeted area.** In a targeted area the applicant does not need to be a first-time homebuyer and may use the higher area income and purchase price limits.
5. **WHERE DOES THE BUYER APPLY FOR THE MCC?** Application for the MCC should be made in person at any participating lender. Any lender who has completed and filed a lender participation agreement with the Harris County Housing Finance Corporation may participate in the program. If the lender company is not a participating lender, the Harris County HFC MCC Program Manager can send a copy of the lender participation agreement. The List of Participating Lenders and Realtors on the Harris County HFC website at www.harriscountyhfc.org.
6. **WHAT TYPE OF MORTGAGE LOANS ARE ELIGIBLE UNDER THE MCC PROGRAM?** The mortgage loan must be financed from sources other than tax-exempt revenue bonds. The mortgage may be a FHA, Conventional, VA or RD loan at prevailing market rates. The interest payable under the loan must not be paid to a person who is related to the borrower.



7. **WHAT WILL BE THE AMOUNT OF THE MCC TAX CREDIT?** The size of the annual tax credit will be 50 percent of the annual interest paid on the buyer's mortgage loan. The credit cannot be larger than the buyer's annual federal income tax liability after all other credits and deductions have been taken into account and cannot exceed \$2,000 per year according to federal guidelines. MCC credit in excess of the current year tax liability may, however, be carried forward for use in the subsequent three years.
8. **WHAT IS THE LENGTH OF TIME OF THE MCC BENEFIT?** Each year the mortgage tax credit will be calculated on the basis of 50% of the total interest paid on the mortgage loan that year. The MCC will be in effect for the life of the interest on the mortgage loan, so long as the home remains the principal residence.
9. **CAN MCCS BE ASSUMED OR TRANSFERRED?** The MCC can be transferred only upon issuance of a new certificate by the Harris County Housing Finance Corporation. The person assuming the loan will have to qualify just as a new borrower would be required to qualify under the program.
10. **WHAT HAPPENS WHEN THE RESIDENCE IS SOLD?** The MCC will be subject to certain requirements imposed by federal law concerning the recapture of a portion of the mortgage tax credit benefits granted to the buyer upon the sale of the residence within nine years from the date of purchase, *a requirement for all federal housing programs*. In no event will the recapture tax exceed one-half of the buyer's taxable gain on the sale of the residence. A separate recapture tax disclosure form is available from participating lenders. Buyers must have both a significant increase in income **AND** a taxable gain on the house for recapture to apply. At this time, most sellers do not meet requirements for recapture.
11. **WHAT IS THE DIFFERENCE BETWEEN A TAX CREDIT AND MORTGAGE INTEREST DEDUCTIONS?** A mortgage interest deduction differs from a mortgage tax credit in a number of ways. For example, all home buyers, regardless of income, may take a mortgage interest deduction, whereas mortgage tax credits are available only to holders of MCCs. The dollar value of a mortgage interest deduction depends upon the borrower's tax bracket. If he is in the 15% tax bracket, he will save \$.15 in taxes for each dollar of mortgage interest paid. With the MCC, he will save \$1 for each dollar of credit received. Using the MCC and itemizing deductions on schedule A of Form 1040 will require the borrower to reduce the mortgage interest deduction by an amount equal to the mortgage tax credit claimed.
12. **ARE THERE ANY FEES ASSOCIATED WITH MORTGAGE CREDIT CERTIFICATE PROGRAM?** Yes, in addition to normal fees associated with most home loans, homebuyers who apply for an MCC pay a \$275 compliance fee and are required to pay an amount equal to one percent (1%) of the loan upon closing the loan. For example, on a \$100,000 loan the fee would equal \$1,000 plus \$275 ($\$100,000 \times .01 + \$275 = \$1,275$). The fee may be paid by the borrower, the seller, a relative/friend or priced into the loan. There are down payment assistance programs available to pay the fees if the buyer qualifies for down payment. In addition, Harris County Housing Finance Corporation offers a \$1,500 down payment assistance grant to all borrowers that does not have to be repaid.
15. **IS THERE DOWN PAYMENT ASSISTANCE WITH THE PROGRAM?** Yes. There are several good down payment assistance programs. Harris County HFC offers the two: A \$1,500 Grant Assistance Program--and the 5-Star Advantage Program. The HCHFC program provides a flat gift to cover down payment costs; and the 5-Star provides up to a 5% down payment assistance grant. Neither grant has to be paid back. .
16. **WHEN DOES THE PROGRAM END?** The MCC Authority expires on December 31, 2020, or when the total number of certificates (approximately \$40,000,000) are issued, whichever comes first. Loans must be closed with MCCs issued on or before that date.



PROGRAM MANUAL
FOR
HARRIS COUNTY HOUSING FINANCE CORPORATION
2018 MORTGAGE CREDIT CERTIFICATE PROGRAM

INTRODUCTION

The Harris County Housing Finance Corporation has received a total allocation of \$40,040,000 to implement a single family mortgage credit certificate program within the geographic limits of Harris County, Texas, **but not within the Cities of Baytown, Deer Park, Friendswood, Houston, La Porte, League City, Missouri City, Pasadena and Pearland** (subject to change upon written notice from the Administrator (hereinafter defined)), which will allow the Corporation to issue MCCs (as defined below) in an aggregate certificate limit (the "Certificate Limit") not to exceed \$10,010,000. The Program Manager will be Harris Housing Advisors, LLC (the "Program Manager") and the Program Administrator will be The Southeast Texas Housing Finance Corporation, as program administrator (the "Administrator"). All capitalized terms used herein shall have the meanings assigned to them in the Definition Section of this Program Manual.

General Overview

A mortgage credit certificate (an "MCC") is an instrument designed to assist persons of low and moderate income to better afford individual ownership of housing. The procedures for issuing MCCs were established as an alternative to the issuance of single family mortgage revenue bonds. As distinguished from a bond program, in an MCC program no bonds are issued and mortgages are financed in the conventional or government-insured market. However, the mortgagor may take a tax credit in an amount equal to the annual amount of interest paid on the mortgage loan multiplied by the Mortgage Credit Certificate Rate. The Mortgage Credit Certificate Rate for the Program is 50 percent. Thus, an Applicant with a \$120,000 mortgage and a 4.0% interest rate could realize the following federal income tax savings (numbers are rounded):

Loan Amount:	\$120,000
Interest Rate:	x4.0%
Total Interest Paid First Year:	\$ 4,800
(Mortgage Credit Rate)	<u>x .50</u>
Approximate Annual Mortgage Tax Credit	\$ 2,400
Maximum Annual Tax Credit	\$ 2,000

During the first year of the Program, the Applicant in this example would be eligible for a tax credit of up to \$2,000. The Applicant would be able to file a revised W-4 withholding form taking into consideration the anticipated tax credit and have approximately \$167 per month in additional disposable income. Additionally, taxpayers who file itemized returns may take a deduction for their mortgage interest paid each year, less an amount equal to the tax credit actually taken.

The amount of the credit actually claimed on the MCC holder's federal income tax return cannot exceed the amount of federal income taxes due after other credits and deductions have been taken into account, and because Mortgage Credit Certificate Rate exceeds 20%, the annual credit cannot exceed \$2,000. Any unused MCC related tax credit can be carried forward up to three years to be applied against



future income tax liability. **In addition, all or a portion of the MCC related tax credit may be subject to recapture if the Residence is sold within nine years of purchase.** This tax credit recapture is further explained in the Notice of Potential Recapture Tax included with this Program Manual.

A purchaser of a new or existing single family home may apply for an MCC through any mortgage lender at the time he or she applies for a mortgage from the lender. An MCC cannot be issued to a homebuyer who is refinancing an existing mortgage (except an interim construction loan) or in connection with a mortgage from a relative. Also, an MCC cannot be used in connection with a bond-financed mortgage loan.

Since the Corporation will not make or hold these mortgages, neither the Corporation, the Program Manager nor the Administrator will underwrite the Loans. Rather, all Loan approval, underwriting and execution of required State and federal certifications or affidavits will be performed by the mortgage lenders originating the loans. The Program Manager will work with the Lender to expedite the Program. The Administrator will receive executed certificates and affidavits of each applicant from the Lender in order to determine eligibility for the MCC Program. Lenders will process mortgage loans of all types, using normal procedures, with additions to procedures at relevant points in order to satisfy MCC Program requirements. The MCC Program requirements are independent of any normal underwriting requirements of the Lender. In order to qualify for issuance of an MCC an applicant must meet all MCC requirements in addition to any FHA, VA or conventional loan standards which must be met to satisfy the Lender.

The Corporation encourages anyone who believes they qualify to apply for an MCC to apply at the offices of any Lender who can explain the Program and its restrictions. Use of the MCC Information Guide and the MCC Homebuyer Worksheet (each attached hereto as Exhibit B) can assist Lenders and Applicants in determining whether an Applicant may qualify for the Program. The Lender should be well-versed in the State and federal restrictions so that Applicants are made aware of these restrictions before the Application is taken. The Lender must reject those Applications where the Applicant does not qualify under the requirements of the Program.

Certificate Limit in the amount of \$2,002,000 has been set aside until January 16, 2019 (one year from close), to be used only in connection with the issuance of MCCs to owners of homes within federally-designated targeted areas ("Targeted Areas").

In addition, Certificate Limit in the amount of \$4,004,000 will be reserved until July __, 2018 (6 months from close), to provide mortgages to individuals and families with incomes below eighty percent of the applicable median family income, as defined by Section 143(f)(4) of the Code.

The purpose of this Program Manual is to describe the Program, outline the relevant State and federal restrictions, identify the respective roles of the Corporation, the Administrator, the Program Manager, the Lender, the Applicant, and the Seller, and detail the processing procedures. The Program definitions and Program documents are included for reference.

The Corporation may revise this Program Manual from time to time by issuing amendments to the Program Manual. Changes required by the Code may require revisions to the procedures outlined in this Program Manual.



DEFINITIONS

As used in this Program Manual, the following words and terms have the meanings set forth below:

Acquisition Cost. The cost to an Applicant of acquiring a Residence from the Seller as a completed residential unit, including: (i) all amounts paid, either in cash or in kind, by the Applicant (or a related party or for the benefit of the Applicant) to the Seller (or a related party or for the benefit of the Seller) as consideration for the Residence; (ii) if the Residence is incomplete, the reasonable cost of completing it, whether or not such cost is to be financed with the Loan; and (iii) if the Residence is purchased subject to a ground lease, the capitalized value of the ground rent calculated using a discount rate authorized by the Internal Revenue Service. "Acquisition Cost" does not include: (i) usual and reasonable settlement and financing costs (including title and transfer fees, title insurance, survey fees, credit reference fees, legal fees, appraisal expenses, points paid by the Applicant (but not points paid by the Seller) and other similar costs), but only to the extent that such amounts do not exceed the usual and reasonable costs which would be paid by the Applicant in a case in which financing is not assisted by the issuance of an MCC or provided through the issuance of tax-exempt bonds (for example, if the Applicant agrees to pay more than a pro rata share of property taxes, such excess shall be treated as part of the Acquisition Cost); (ii) the value of services performed by the Applicant or members of the Applicant's family (including brothers and sisters (whether by whole or half-blood), spouse, ancestors and lineal descendants only) in completing the Residence; and (iii) the cost of land which has been owned by the Applicant for at least two years prior to the date on which construction of the Residence begins. This term is more fully described on Worksheet Three to the Affidavit of Applicant and in the Affidavit of Seller.

Acquisition Cost Limits. Initially the following shall be the applicable maximum Acquisition Cost Limits, but these amounts are subject to reduction by any applicable FHA limits, or such revised amounts as may be effective from time to time, as required by the Regulations: (i) \$298,085 in Non-Targeted Areas and (ii) \$364,326 in Targeted Areas. The determination whether the Residence meets the applicable Acquisition Cost Limit shall be made as of the date of the issuance of the MCC. Any revisions of the aforesaid Acquisition Cost Limits by the Corporation or the Administrator may rely upon average area purchase price limitations published by the Treasury Department, any successor thereof, or as may be provided in Section 143 of the Code, for the statistical area in which the Residence is located.

Act. The Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code, as amended.

Administrator. The Southeast Texas Housing Finance Corporation, its successors and assigns.

Adjusted Gross Income. With respect to a person, the adjusted gross income of such person (as set forth on the appropriate line of the federal income tax return filed by such person with the Internal Revenue Service or, in the case of a person not required to file such a return, as evidenced by cancelled salary checks, wage statements or such other information as may be acceptable to the Lender and the Administrator), together with the adjusted gross income of all persons who intend to reside with such person in one dwelling unit (based on similar evidence), for the tax year immediately preceding the date of issuance of the MCC.



Allocation Act. Chapter 1372, Texas Government Code, as amended, and the rules promulgated by the Texas Bond Review Board thereunder.

Affidavit. An affidavit filed in connection with the Program made under oath and subject to the penalties of perjury and the civil penalties provided therein.

Anticipated Annual Family Income. The sum of (a) the gross monthly income of the Applicant and (b) the gross monthly income of anyone who is expected both to live in the Residence and to be secondarily liable on the Loan, multiplied by 12. Gross monthly income is the sum of gross monthly pay, any additional income from investments, pensions, Department of Veterans Affairs (VA) compensation, part-time employment, net bonuses, dividends, interest, over-time pay, net rental income, royalties, etc., and other income (such as alimony and child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts or from business activities or investments). The Anticipated Annual Family Income cannot exceed the Income Limits, which shall be determined as of the date of issuance of the MCC.

Applicant. Any person or persons: (i) whose Anticipated Annual Family Income does not exceed the Income Limits; (ii) who intends to occupy the Residence to be financed with a Loan as his or her Principal Residence within a reasonable period (not to exceed 60 days) following the issuance of the MCC; (iii) who (except in the case of an Applicant who is (a) obtaining a Targeted Area Loan or (b) a Qualified Veteran) has not had a present Ownership interest in a Principal Residence at any time during the three-year period ending on the date of execution of the Loan; (iv) who has not had an existing mortgage (including a deed of trust, conditional sales contract, pledge, agreement to hold title in escrow or any other form of owner-financing), whether or not paid off, on the Residence to be financed with such Loan at any time prior to the execution of the Loan, other than an existing mortgage securing a construction period loan, bridge loan or similar temporary financing initially incurred for the sole purpose of acquiring the Residence and initially incurred within 24 months of execution of the Loan and having an original term not exceeding 24 months; and (v) who meets the criteria set forth in this Program Manual.

Average Area Purchase Price. With respect to any Residence the safe harbor average area purchase price of all single-family residences in the statistical area in which the Residence being financed is located which were purchased during the most recent twelve-month period for which information is provided pursuant to Section 143(e) of the Code. The Average Area Purchase Price in effect at implementation of the Program is \$338,824.

Certificate Limit. \$10,010,000, the maximum aggregate amount of MCC authority for the Program, which equals 25% of the nonissued bond amount (\$40,040,000) allocated to the Corporation by the Texas Bond Review Board.

Certified Indebtedness Amount. The amount of the Loan which is subject to the mortgage credit provided by the MCC. The Certified Indebtedness Amount on the reissued MCC may not exceed the outstanding balance of the Loan associated with the existing MCC.

Closing or Closing Date. The funding of a Loan by the Lender and the execution and delivery by the Applicant of all documents in connection therewith. "Closed" means a Loan for which a Closing has occurred.



Code. The Internal Revenue Code of 1986, as amended.

Corporation. Harris County Housing Finance Corporation, its successors and assigns, whose address is c/o Bracewell LLP, 711 Louisiana Street, Suite 2300, Houston, Texas 77002-2770.

Eligible Loan Area. The area within the geographic limits of Harris County, Texas, but not within the Cities of Baytown, Deer Park, Friendswood, Houston, La Porte, League City, Missouri City, Pasadena and Pearland (subject to change upon written notice from the Administrator).

Existing Housing. A single family dwelling unit that has been occupied prior to execution of the Loan commitment.

FHA. The Federal Housing Administration of the United States Department of Housing and Urban Development, or other agency or instrumentality created or chartered by the United States to which the powers of the Federal Housing Administration have been transferred.

GNMA. The Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, whose powers are prescribed generally by Title III of the National Housing Act of 1934, as amended (12 U.S.C., §1716 et seq.), its successors and assigns.

Income Limits. The Anticipated Annual Family Income of an Applicant is limited to \$87,745 (Family size of 3 or more) or \$76,300 (Family size of less than 3) for Applicants seeking MCCs for Residences in Non-Targeted Areas and is limited to \$106,820 (Family size of 3 or more) or \$91,560 (Family size of less than 3) for Applicants seeking MCCs for Residences in Targeted Areas. These limits may be adjusted annually in accordance with applicable federal tax law. Additionally, the Adjusted Gross Income of the Applicant and his or her family for the preceding calendar year cannot exceed the Maximum Adjusted Gross Income.

Lender. An institutional lender regulated by state or federal law, or any other entity which in its regular course of business makes mortgage loans which would qualify for MCC assistance and is authorized to do business in the Eligible Loan Area.

Loan. A conventional, FHA-insured or VA-guaranteed mortgage loan to finance the purchase of an eligible dwelling unit which meets the requirements set forth in this Program Manual.

Low Income Reservation. An amount of the Certificate Limit equal to \$4,004,000, which must be reserved until July ___, 2018, for Loans to families and individuals with income below \$57,200 (or such revised number that equals 80% of the applicable median family income).

MCC or Mortgage Credit Certificate. A mortgage credit certificate issued pursuant to the terms and conditions of the Program, the form of which attached hereto as *Exhibit D*.

MCC Commitment Letter. A letter executed by the Administrator in the form provided by the Corporation, the form of which is attached hereto as *Exhibit C*.

Maximum Adjusted Gross Income. Until revised, \$100,100, which amount has been established as constituting moderate income by the Corporation in accordance with the Act, provided that such



amount shall adjust automatically to equal 140% of the median gross income for the area within the Eligible Loan Area as determined by the Department of Housing and Urban Development.

Mortgage. The written instrument securing the related Loan and encumbering a Residence.

Mortgage Credit Certificate Rate. For purposes of this Program, 50 percent.

New Housing. A single family dwelling unit that is proposed to be constructed, currently under construction, or existing but not previously occupied.

Non-Targeted Area. An area in the Eligible Loan Area other than a Targeted Area.

Ownership. Ownership by any means, whether outright or partial, including property subject to a mortgage or other security interest, including a fee simple ownership interest, a joint ownership interest by joint tenancy, tenancy in common, or tenancy by the entirety, an ownership interest in trust, a life estate interest, a purchase by a land contract or contract for deed. The term does not include (i) a remainder interest; (ii) a lease with or without an option to purchase; (iii) a mere expectancy to inherit an interest; (iv) the interest that a purchaser of a Residence acquires on the execution of a purchase contract; and (v) an interest in other than a Principal Residence. This term is more fully described in paragraph 6 of the Affidavit of Applicant. An Ownership interest in a mobile home or other factory-made housing which was permanently affixed to real property owned by the Applicant constitutes Ownership in a Principal Residence.

Principal Residence. A Residence that, depending on all the facts and circumstances (including the good faith intent of the occupant), is occupied primarily for residential purposes. A Principal Residence does not include a home used as an investment property or a recreational home, or a home that is used primarily in a trade or business (as evidenced by the use of more than 15 percent of the total floor space in a trade or business). The Applicant may not claim, with respect to the Residence, any deductions pursuant to Section 280A of the Code for expenses incurred in connection with the business use of a home.

Prohibited Mortgage. A Prohibited Mortgage is any mortgage financed in whole or in part with the proceeds of qualified mortgage bonds or qualified veterans' mortgage bonds.

Program. The Harris County Housing Finance Corporation 2018 Mortgage Credit Certificate Program.

Program Documents. This Program Manual, including all instructions and forms attached thereto, the Administration Agreement by and between the Corporation and the Administrator and the Lender Participation Agreement by and among each Lender, the Administrator and the Corporation, each as amended from time to time.

Program Manager. Harris Housing Advisors, LLC as the Program Manager for the Program.

Program Manual. The Harris County Housing Finance Corporation 2018 Mortgage Credit Certificate Program Manual, as revised and amended from time to time.

Qualified Appraiser. An individual or firm acceptable to FHA and the Administrator.



Qualified Condominium Unit. A condominium unit meeting the requirements of the GNMA Guide and which is acceptable to FHA.

Qualified MCC. An MCC meeting all of the requirements of the Code and Regulations applicable to the Program.

Qualified Veteran. An Applicant who is a “veteran” (as defined in 38 U.S.C. Section 101) who has not previously obtained a loan financed by single family mortgage revenue bonds utilizing the veteran exception set forth in Section 143(d)(2)(D) of the Code.

Regulations. The applicable proposed, temporary or final Treasury Regulations promulgated under the Code (or any prior version thereof), as such regulations may be amended or supplemented from time to time.

Residence or Home. A residential unit which is located within the Eligible Loan Area, including a condominium unit, if such unit is a Qualified Condominium Unit, but not a two-, three- or four-family residence, and ownership is fee simple and land appurtenant to the residential unit, and manufactured housing that is permanently affixed to real property (i) which is designed and intended primarily for residential housing, (ii) which will be occupied by the Applicant as his or her Principal Residence within a reasonable period (not to exceed 60 days) following the issuance of the MCC, (iii) which unit is permanently affixed to land, (iv) the Acquisition Cost of which does not exceed the Acquisition Cost Limits for the area within which the residence is located, and (v) which appurtenant land is not in excess of one acre and which land reasonably maintains the basic livability of the residence and does not provide other than incidentally, a source of income to the Applicant, including child care services on a regular basis for compensation. A Residence does not include rental houses, vacation homes or factory-made and manufactured housing and mobile homes that are not permanently affixed to real property owned by the Applicant.

Seller. With respect to a Loan, the seller of the Residence being financed with such Loan.

State. The State of Texas.

Submission Package. The affidavits, certificates and supporting documentation which the Lender agrees to submit to the Administrator in connection with an application for the issuance of an MCC, more particularly described in Section G hereof.

Targeted Area. A census tract in which 70 percent or more of the families have an income which is 80 percent or less of the statewide median family income, as identified by the United States Treasury Department in Revenue Procedure 2014-14 (“qualified census tracts”), or an area designated as an area of chronic economic distress. Such areas are not subject to the prior home ownership restriction. The initial Targeted Areas in the Eligible Loan Area are the geographical areas set forth in Exhibit E attached hereto.

Targeted Area Loan. A Loan to provide financing for the purchase of a Targeted Area Residence.

Targeted Area Residence. A Residence which is located in a Targeted Area.



Targeted Area Reservation. An amount of the Certificate Limit equal to \$2,002,000, which must be reserved until January 16, 2019, for Loans made in Targeted Areas.

Tax Certificate. The ad valorem tax certificate or statement evidencing that the Residence is located within the Eligible Loan Area.

VA. The Department of Veterans Affairs, an agency of the United States of America, or any successor to its functions.



LOAN PROCESSING PROCEDURES AND PROGRAM ADMINISTRATION

An Applicant who may be eligible should apply for an MCC in conjunction with his or her conventional, FHA or VA mortgage loan application submitted to the Lender of his or her choice.

The MCC processing procedures are designed to coincide with the regular, on-going mortgage loan processing and underwriting procedures that are in place at most mortgage lending institutions. The Corporation recognizes that there are procedural variations among the Lenders; consequently, the procedures outlined herein are meant to be suggestive with respect to the sequence of events. However, all the elements of the processing sequence noted below must at some point be completed by the responsible party.

The fees of the Program are set forth at each step in the processing procedures as follows, and the fees charged by the Lender in connection with the Program may in no event exceed the fees specified in this Program Manual. A Schedule of Fees is attached hereto as Exhibit A.

The following is the Loan processing and Program administration sequence of events for the MCC Program:

A. Loan Origination and MCC Application

1. The Applicant applies for a Loan from a Lender.
2. Lender verifies that the Residence is within the Eligible Loan Area.
3. Lender gives the Applicant an MCC Information Guide that explains the Program and contains consumer information. The MCC Information Guide is intended to present certain facts to the Applicant concerning the restrictions, regulations, and prohibitions of the Program because of certain federal and State regulations, as well as restrictions imposed by the Corporation and to explain the penalties for misuse of the Program. It is imperative that the Applicant understands the terms and conditions of the Program. During the initial interview, it is the responsibility of the Lender to explain the terms and conditions of the Program to the Applicant, and to make sure that the Applicant receives a copy of the MCC Information Guide.
4. Lender generally determines if the Applicant is a possible candidate for an MCC, based on preliminary indications of Anticipated Annual Family Income, Adjusted Gross Income, Acquisition Cost, prior Ownership, tax liability, and other relevant factors. (Use of the MCC Homebuyer Worksheet is helpful in making this determination.)
5. No loan utilizing an MCC may be closed and no MCC may be issued prior to January 16, 2018. All persons interested in making applications for an MCC must be considered on a first-come, first-served basis and must have an application for a mortgage loan on file with the Lender. Lenders must keep a record of all MCC applications received and the disposition of such applications.



6. The Applicant must review and sign the Affidavit of Applicant, which, together with the Tax Certificate, serve as the application for an MCC (the "Application"). The Applicant must supply his or her federal income tax returns or tax return transcripts for the previous three years to be included in the Application submitted to the Administrator. Only the Applicant's prior year's income tax return or tax return transcript are required for a Targeted Area Loan or for an Applicant who is a Qualified Veteran. The Certification of No Income is required for individuals with no income who will execute the Mortgage.
7. Lender submits the Application to the Administrator.
8. Lender may provide the Applicant a copy of IRS Form W-4 Employee's Withholding Allowance Certificate which contains the IRS instructions for the taxpayer. The Applicant may complete the W-4, if necessary, to change his/her federal withholding tax, adjusting it in an amount comparable to the expected MCC tax credit.

B. Administrator Review and Issuance of MCC Commitment Letter

1. Administrator reviews the Application to determine whether it has been completed in accordance with the requirements of the Code and this Program Manual and has been properly executed.
2. If Administrator determines that the Application meets the requirements set forth in B.1 above, Administrator issues an MCC Commitment Letter to Lender stating that the Applicant has received preliminary approval and that an MCC will be executed and delivered to the Applicant upon Closing of the Loan, subject to completion of all of the remaining requirements of the Program.
3. Administrator shall keep an ongoing, cumulative-to-date total of MCC Commitment Letters issued to Lenders and of MCCs issued, less the amount of any MCC Commitment Letters which have expired or terminated. The MCC Commitment Letter will contain an expiration date of three months on a Loan for Existing Housing and six months on a Loan for New Housing.
4. When MCC Commitment Letters or MCCs have been issued which have effectively committed 75 percent of the Certificate Limit for the Program, the Administrator shall prepare and distribute a notice to all Lenders and to the Corporation stating that 75 percent of Certificate Limit has been utilized.
5. When MCC Commitment Letters or MCCs have been issued which have effectively committed all of the Certificate Limit for the Program, the Administrator shall maintain a list of Applicants in order of receipt of Application.
6. MCC Commitment Letters may not be transferred from one Lender to another. In the event an Applicant elects to change Lenders, the MCC Commitment Letter which has been issued shall be revoked and a new application process must be commenced by the Applicant with the new Lender.



C. Lender Loan Approval and Verification

7. The Lender performs normal loan approval or underwriting procedures.
8. The Lender may consider the MCC when determining the amount of disposable income available for the monthly house payment in order to determine the Applicant's qualification for the Loan. The Lender determines general acceptability in accordance with its own loan approval standards and applicable Fannie Mae, Freddie Mac, FHA, VA and private mortgage insurance standards and underwriting guidelines.
9. In conjunction with the Lender's regular verification process, the Lender performs reasonable investigation as to whether the MCC Program requirements have been met as required by the Code and the applicable Regulations noted in the Lender Participation Agreement and the Certificate of Lender. Lenders may verify these facts at different times and in various ways, depending upon the Lender's particular procedures for processing loans.
10. The Lender verifies that the Income Limits, Acquisition Cost Limits, and other MCC Program requirements are met.

D. Applicant and Loan Approval Requirements—Overview

For loans involving MCCs, the conventional loan approval and underwriting standards may be modified to reflect a recognition of the MCC-derived federal income tax credit for mortgage interest in determining income, housing expense, and indebtedness ratios. The secondary mortgage market and the mortgage insurance industry have established underwriting policies for loans involving MCCs. These are available separately as policy statements from the mortgage lending industry.

The Applicant, Acquisition Cost and mortgage underwriting requirements covered in this section are incorporated in the MCC Program Manual documents. It will be necessary for all Applicants, Lenders and other parties to the transaction to complete and sign the appropriate MCC Program Manual documents and attest to their validity. The Lender will be required to submit certifications in which it will certify that to the best of its knowledge no material misstatements appear in the Submission Package documents. If the Lender becomes aware of misstatements, whether negligently or intentionally made, it must notify the Administrator immediately. **The Corporation reserves the right to take all appropriate actions including, if any, denial or cancellation of the MCC.** The Lender should also be aware, and inform the Applicant, that both federal and State law provide for fines and criminal penalties, as well as revocation of the MCC, for misrepresentations made in connection with participation in the Program. In an attempt to assure that Program requirements are met, an Affidavit of Applicant is required of each Applicant, and must be submitted to the Administrator.

The Lender is also responsible for supplying the Applicant with information regarding the Program and its requirements, including the Notice of Potential Recapture Tax.



There are no restrictions with regard to the type of mortgage vehicle the Lender uses under the MCC Program. The MCC Program allows the use of any mortgage instrument being generally used in the marketplace, and places no restrictions on Loan term or amortization methods.

E. Applicant Eligibility Requirements

Similar to any normal mortgage loan, the Applicant must meet the credit and underwriting criteria established by the participating Lender providing the Loan. Based on relevant federal and State regulations, Applicants must also meet the following requirements specific to MCCs:

1. First-time Homebuyer Requirement. Except for situations in which an MCC application is being made for a Targeted Area Residence or if the Applicant is a Qualified Veteran, the Applicant who will become an MCC holder may not have had an Ownership interest in a Principal Residence at any time during the preceding three years, ending on the date on which the Loan is executed. This requirement qualifies the Applicant as a “first-time homebuyer” with respect to the federal regulations. The Lender must obtain from the Applicant an Affidavit to the effect that the Applicant had no Ownership interest in a Principal Residence at any time during the three-year period prior to the date on which the Loan is executed. This must be verified by the Lender through request for, and examination of, the Applicant’s federal income tax returns or tax return transcripts for the preceding three years to determine whether the Applicant has claimed a deduction for interest or taxes on property which was the Applicant’s Principal Residence.

The first-time homebuyer requirement does not have to be met if the Residence for which a loan application is being made is located in a Targeted Area. (A list of geographical areas which comprise the Targeted Areas in the Eligible Loan Area is attached as Exhibit E). The federal regulations for MCCs require the Corporation to reserve 20 percent of the MCC authority for these Targeted Areas until at least January 16, 2019. The Lender must clearly designate MCC applications involving Targeted Area Residences where appropriate in the MCC documents.

To meet the first-time homebuyer requirement, the Applicant must complete and sign the Affidavit of Applicant and provide the last three years of federal income tax returns (or acceptable alternates - see below). In lieu of actual copies of returns, Applicants who filed either IRS Form 1040A or 1040EZ may substitute federal tax return transcripts from the IRS or an original letter from the Internal Revenue Service stating the type of return filed by the Applicant for each tax year, the Applicant’s filing status and adjusted gross income. To summarize this procedure as it applies to different cases:

- (a) If the Applicant can produce copies of signed IRS Form 1040A, 1040EZ or 1040 returns for the last three years which show no deductions of interest or taxes for a Principal Residence, these forms must be submitted to the Lender and forwarded to the Administrator.
- (b) In the event the Applicant has filed the IRS Form 1040A or 1040EZ for the preceding three years but cannot produce signed copies of the returns, the



Applicant may substitute tax return transcripts or the original tax account information letter from the Internal Revenue Service verifying the required facts.

- (c) In the event the Applicant has filed the IRS Form 1040 for the preceding three years, completes and signs the other required Affidavits, but cannot produce signed copies of the returns, the Administrator will not issue an MCC until receipt of certified tax returns (including all schedules) or tax return transcripts from the IRS, which show that the Applicant took no deduction of interest or taxes for a Principal Residence for the years in question. The certified tax returns can be requested from the IRS by the Applicant by using IRS Form 8821 or IRS Form 4506. Federal tax return transcripts can be requested from the IRS by the Applicant by using IRS Form 4506-T.
 - (d) In the event the Applicant was not required by law to file federal income tax returns for any year during the preceding three years, it will be necessary for the Applicant to so state on the Tax Return Affidavit forwarded to the Administrator with the other Program documents.
 - (e) When the Loan is Closed during the period between January 1 and February 15 and the Applicant has not yet filed his or her federal income tax return for the preceding year with the IRS, the Administrator may, with respect to such year, rely on the Reaffirmation of Applicant stating that the Applicant is neither entitled to, nor will claim, deductions for taxes or interest on indebtedness with respect to property constituting his or her Principal Residence for the preceding calendar year. The Reaffirmation of Applicant must be forwarded to the Administrator with the Closing Affidavit and the other Program documents.
 - (f) Any individual with no income who will execute the Mortgage will be required to sign a Certification of No Income.
2. Principal Residence Requirement. The Applicant must use the Residence for which the MCC was issued as his or her Principal Residence. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement of the Applicant's intent to use the Residence as his or her Principal Residence within a reasonable time (60 days) after the MCC is issued. This Affidavit further states that the MCC holder will notify the Lender and the Administrator if the Residence ceases to be his or her Principal Residence.
3. Income Limits. The Anticipated Annual Family Income of an Applicant is limited to \$86,135 (Family size of 3 or more) or \$74,900 (Family size of less than 3) for Applicants seeking MCCs for Residences in Non-Targeted Areas and is limited to \$104,860 (Family size of 3 or more) or \$89,880 (Family size of less than 3) for Applicants seeking MCCs for Residences in Targeted Areas. These limits may be modified annually. Additionally, the Adjusted Gross Income of the Applicant and his or her Family for the preceding calendar year cannot exceed the Maximum Adjusted Gross Income, which is currently \$100,100.
4. Acquisition Cost Limits. Initially the following shall be the applicable maximum Acquisition Cost Limits, but these amounts are subject to reduction by any applicable FHA



limits, or such revised amounts as may be effective from time to time, as required by the Regulations: (i) \$298,085 in Non-Targeted Areas and (ii) \$364,326 in Targeted Areas. The determination whether the Residence meets the applicable Acquisition Cost Limit shall be made as of the date of the issuance of the MCC. Any revisions of the aforesaid Acquisition Cost Limits by the Corporation or the Administrator may rely upon average area purchase price limitations published by the Treasury Department, any successor thereof, or as may be provided in Section 143 of the Code, for the statistical area in which the Residence is located.

5. Revocation. An Applicant will have his or her MCC revoked if the Applicant does not meet the requirements for a Qualified MCC. Revocation will occur upon the discovery of any material misstatement, whether negligent or fraudulent, contained in any of the documents submitted in connection with the issuance of the MCC. Revocation will occur if the Residence to which the MCC relates ceases to be Applicant's Principal Residence.
6. Fraud. If the Applicant or MCC holder provides a certificate, Affidavit, or any other information to the Lender, the Administrator or the Corporation containing a material misstatement and such misstatement is the result of fraud, then any MCC issued shall be automatically null and void without the need for any further action on behalf of the Corporation.
7. Penalties for Misstatement. If the Applicant makes a material misstatement in any Affidavit or certification made in connection with application for or the issuance of an MCC and such misstatement is due to negligence of the Applicant, the Applicant shall pay to the Corporation or its agent a civil penalty fee of \$1,000 for each MCC with respect to which a misstatement was made. If any Applicant makes a material misstatement in any Affidavit or certification made in connection with application for or issuance of an MCC and such misstatement is due to fraud, the Applicant shall pay to the Corporation or its agent a civil penalty fee of \$10,000 for each MCC with respect to which the fraudulent misstatement was made. The above-described civil penalties shall be imposed in addition to any criminal penalty.

F. Loan Requirements.

1. New Loan Requirements. An MCC may not be issued in conjunction with the acquisition or replacement of an existing mortgage; however, an MCC may be issued in conjunction with the replacement of construction period loans or bridge loans of a temporary nature. The term of the construction period or bridge loans must be no longer than 24 months. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement to the effect that the Loan being made in connection with the MCC will not be used to acquire or replace an existing mortgage, subject to the exception outlined above.
2. Prohibited Mortgages. An MCC may not be used in conjunction with a loan made from the proceeds of a qualified mortgage bond or a qualified veterans' mortgage bond. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement that no portion of the financing of the Residence is provided from a qualified mortgage bond or qualified veterans' mortgage bond.



3. No Interest Paid to Related Persons. No interest on the Certified Indebtedness Amount of the Loan can be paid to a person who is a “related person” to the MCC holder, as the term is defined in Section 144(a)(3)(A) of the Code and Regulations. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement that a “related person” does not have, and is not expected to have, an interest as a creditor in the Loan.
 4. Transferability. If the Loan is assumed by a new purchaser, the MCC may be transferable under certain circumstances:
 - (a) The transferee must demonstrate that he or she has assumed the liability for the remaining balance of the Loan; and
 - (b) The transferee must meet all of the requirements imposed on any Applicant for issuance of an MCC outlined in this Program Manual, as well as any additional federal, State or Corporation requirements in existence at the time the transferee applies for an MCC.
- G. Loan Closing and Submission of Final MCC Program Documents
1. Lender confirms that the MCC Commitment Letter has not expired and closes the Loan in accordance with its customary procedures.
 2. Lender provides the Applicant with the Notice of Potential Recapture Tax which must be signed by the Applicant at Closing of the Loan.
 3. Either Lender or the closing agent submits to the Administrator a completed and executed Submission Package (see the MCC Submission Cover Sheet and the list of Submission Package exhibits).
 4. The Submission Package includes all of the executed certifications and Affidavits noted therein. Each document must be complete and signed as indicated. Original documents should be sent to the Administrator, except as otherwise indicated. The eligibility of an Applicant shall be determined by Lender. Lender must review the Submission Package and related documents to determine their completeness in accordance with the terms of this Program Manual. Reasonable efforts should be undertaken to verify the information given, either independently or concurrently with underwriting procedures.
 5. The Submission Package will specifically include the following documents and payments:
 - (a) The Reaffirmation of Applicant, duly executed by the Applicant;
 - (b) The Tax Return Affidavit, duly executed by an Applicant that was not required to file federal income tax returns for the previous three years;
 - (c) The Affidavit of Seller, certifying the Acquisition Cost of the Residence and certain other matters;



- (d) The Certificate of Lender, certifying that the Lender has performed a reasonable investigation to make the required determinations. Further, by its submission, the Lender certifies that all Program eligibility requirements have been met and that the Loan fees are reasonable relative to other loans not associated with an MCC program;
 - (e) The Closing Affidavit, executed by the escrow or closing agent or the Lender, attesting to the fact that the Loan was Closed and stating the final mortgage Loan amount;
 - (f) The Notice of Potential Recapture Tax, duly executed by the Applicant;
 - (g) The MCC Program Participation Fee collected by the Lender from the Applicant at Closing;
 - (h) A copy of the Qualified Veteran's discharge papers, if applicable; and
 - (i) The Certification of No Income duly executed by any adult in the household who will be signing the Mortgage and earns no income.
- 6. LENDER AGREES TO PROVIDE INFORMATION TO BE REPORTED UNDER THE FEDERAL HOME MORTGAGE DISCLOSURE ACT AS REQUIRED BY SECTION 394.027 OF THE ACT.
 - 7. ALL DOCUMENTS AND THE FEE MUST BE SUBMITTED TO THE ADMINISTRATOR BY THE EARLIER OF 15 DAYS AFTER THE CLOSING DATE OR WITHIN 15 DAYS OF THE MCC COMMITMENT LETTER EXPIRATION DATE.
 - 8. SUBMISSION BY THE LENDER OF AN INCOMPLETE SUBMISSION PACKAGE, INCLUDING SUBMISSION OF DOCUMENTS NOT FULLY COMPLETED, WILL RESULT IN THE REJECTION OF THE PACKAGE BY THE ADMINISTRATOR AND MAY SUBJECT THE LENDER TO THE ASSESSMENT OF AN MCC RESUBMISSION FEE.

H. Issuance of MCC

Administrator confirms, based on documentation submitted by Lender, the completion of the Applicant's file, that the MCC Commitment Letter was exercised, that the Loan was Closed as evidenced by the Submission Package, that the Applicant has met the requirements set forth in the Program Documents for issuance of an MCC and the Administrator then forwards to the Applicant an executed Mortgage Credit Certificate dated as of the Closing Date of the Loan. A copy of the MCC is forwarded to the Lender and a second copy is forwarded to the Corporation. No MCC may be issued prior to January 16, 2018, and no MCC may be issued for Loans having a Closing Date after December 31, 2020.

I. Resubmission of MCC Documents

If an MCC Application or Submission Package has been returned or denied by the Administrator, any resubmission, if appropriate, must include all information which the Administrator has determined necessary for reconsideration. An MCC Application or Submission Package that is



being submitted a second time will be reviewed in depth and must be accompanied by an MCC Resubmission Fee of \$25 payable by cashier's check, money order, or by check from the Lender or title company, to the Administrator, which MCC Resubmission Fee may not be charged to the Applicant absent a showing of the Applicant's negligence.

J. Extensions of MCC Commitments

- (a) An extension may be requested with regard to any MCC Commitment Letter which is outstanding if the related Loan has not Closed.
- (b) A two-month extension of the MCC Commitment Letter will be given upon Lender's submission of the MCC Commitment Extension Request Form and a \$50 MCC Extension Fee. Additional extensions may be granted if and when the Administrator determines that extenuating circumstances exist. Expiration dates may be subject to additional federal requirements.

K. MCC Commitment Cancellations

Lender must notify the Administrator of MCC Commitment Letters to be canceled by submitting written notification and returning the original MCC Commitment Letter.

L. MCC Commitment Amendments

In the event of any change in the Residence address, increase in Loan amount or change in marital status of the Applicant, which would necessitate the refiling of an amended Affidavit of Applicant and the revision of an MCC Commitment Letter, the Lender must submit a new Affidavit of Applicant with the correct information and a cover letter referring to the original MCC Commitment Letter number requesting the revision of the MCC Commitment Letter.

M. Changes Prior to Closing

MCC Commitment Letters are issued subject to the condition that all the requirements necessary for issuance of an MCC shall have been met prior to issuance of the MCC. Lender must notify the Administrator of any changes that affect the conditions under which the MCC Commitment Letter was issued, including but not limited to changes in the Applicant's financial status, family size or income, the employment status of the Applicant or the Applicant's spouse, marital status or the amount of the Loan.

The MCC Commitment Letter is issued in reliance upon the Affidavit of Applicant. Lender must immediately notify Administrator in writing of any change in the circumstances upon which the MCC Commitment Letter was issued. If any change of the circumstances upon which the MCC Commitment Letter was issued occurs so that the MCC to be issued will not meet the requirements of a Qualified MCC, the MCC Commitment Letter will be revoked.



N. Record Keeping and Report Filing

1. For each calendar quarter the Corporation issues MCCs beginning with the quarter in which the election to issue MCCs is made, the Administrator will file on behalf of the Corporation reports on IRS Form 8330.
2. The Administrator will report annually to the Internal Revenue Service on behalf of the Corporation in the form prescribed by Treasury Regulation § 1.25-4T(e):
 - (a) The number of Mortgage Credit Certificates by Income and Acquisition Cost as required by IRS reporting regulations; and
 - (b) The volume of Mortgage Credit Certificates by Income and Acquisition Cost as required by IRS reporting regulations.
3. For each calendar year during which it originates Loans to Applicants obtaining MCCs, each Lender must file an annual report using IRS Form 8329. Prior to the filing deadline for such report, the Administrator will assist in furnishing to the Lender the information available in its records necessary for the Lender to complete IRS Form 8329.
4. For six years, the Lender must retain:
 - (a) Name, address (including the address of the Residence financed with the Loan) and taxpayer identification number of each MCC holder;
 - (b) Name, address and taxpayer identification number of the Corporation; and
 - (c) Date of Loan, Certified Indebtedness Amount, and Mortgage Credit Certificate Rate.
5. In January following each year during which MCCs are issued, the Administrator shall mail an IRS Form 8396 to each MCC holder of record as a reminder to properly declare the MCC tax credit for federal income tax purposes.
6. LENDER AGREES TO PROVIDE INFORMATION TO BE REPORTED UNDER THE FEDERAL HOME MORTGAGE DISCLOSURE ACT AS REQUIRED BY SECTION 394.027 OF THE ACT.
7. Documents may be retained as hard copies or in an electronic format (in accordance with Revenue Procedure 97-22, 1997-1 C.B. 652), so long as such documents are retained in organized, accessible format that preserves the accuracy of such documents.

O. Revocation of MCCs

1. Automatic revocation occurs when the Residence related to the MCC ceases to be the MCC holder's Principal Residence.
2. An MCC will be revoked if the holder ceases to meet the requirements with respect to a Qualified MCC.



3. Revocation of the MCC will occur upon the discovery of any material misstatement, whether negligent or fraudulent, by any person related to the issuance of the MCC.

P. Curing Defects

In the event any defects or omissions are discovered in the Application or in any certificate or Affidavit or any document included or which should have been included in the Submission Package after an MCC has been issued, Lender and MCC holder shall be notified of such defect and given 60 days to cure same prior to revocation of the MCC.

Q. Transfer of MCCs on Mortgage Assumptions

A Loan assumption associated with an MCC will be treated as a new MCC application, and the procedure required by this Program Manual must be repeated for the new Applicant. Transfer of the MCC is dependent upon the ability of the transferee to qualify under the Program requirements in effect at the time of the transfer. The Corporation gives no assurance that it will approve such a transfer. Since an MCC will already be outstanding, an MCC Commitment Letter will not be issued, and all of the required Program documents will be submitted at one time with the new Submission Package. A single MCC Assumption or Refinancing Fee of \$325 will be charged by the Administrator in connection with such transfers.

R. Audit

The Administrator or the Program Manager may perform a random audit of Lender records to determine compliance with required Program procedures.

S. Notice of MCC Eligibility Denial

In the event a Lender determines that an Applicant is ineligible for an MCC Commitment Letter or the issuance of an MCC, the Lender shall file a Notice of Denial of Eligibility for MCC form with the Administrator. Lender shall complete the Notice of Denial of Eligibility for MCC stating the reason Lender denied Applicant's eligibility in the MCC Program, and Administrator shall maintain a list of such prospective Applicants that were denied eligibility in the Program.

T. Recapture of MCC Tax Credit

In the event an MCC holder sells the Residence within nine years of issuance of the MCC, a portion of the tax credit utilized by the certificate holder may be subject to a recapture tax. See the Notice of Potential Recapture Tax for further information regarding tax credit recapture.

U. Reissuance of MCC in Case of Refinancing

In the event an MCC holder refinances the Loan on the Residence, the Applicant shall submit the MCC Reissuance Application and shall pay the \$325 MCC Assumption or Refinancing Fee. The period for which the reissued certificate is in effect begins with the date the refinancing is closed. The Administrator shall reissue the MCC if: (i) the MCC is reissued to the holder of an existing MCC with respect to the same property to which the existing MCC relates; (ii) the reissued MCC entirely replaces the existing MCC (that is, the holder cannot retain the existing MCC with respect



to any portion of the outstanding balance of the certified mortgage indebtedness specified on the existing MCC; (iii) the Certified Indebtedness Amount specified on the reissued MCC does not exceed the outstanding balance of the Certified Indebtedness Amount specified on the existing MCC; (iv) the reissued MCC does not increase the Mortgage Credit Certificate Rate specified in the existing MCC; (v) the Expiration Date on the newly reissued MCC is not later than the Expiration Date on the existing MCC; and (vi) the reissued MCC does not result in an increase in the tax credit that would otherwise have been allowable to the holder under the existing MCC for any taxable year. **The Lender or closing agent, as applicable, shall certify on the Closing Affidavit as to the outstanding balance on the Loan associated with the existing MCC so that the Administrator can make the determination required by clause (iii) of this paragraph.**

V. Qualified Veterans

A Qualified Veteran is exempt from the three-year no prior home ownership requirement. The Qualified Veteran must (a) certify that (i) he or she has not previously obtained a mortgage loan financed by single family mortgage revenue bonds utilizing the exception set forth in Section 143(d)(2)(D) of the Code, and (ii) is utilizing the veteran exception set forth in Section 143(d)(2)(D) of the Code, (b) must complete Worksheet Five to the Affidavit of Applicant evidencing qualification as a veteran and (c) provide copies of discharge papers, if applicable.

W. Down Payment Assistance

The Corporation will implement a Down Payment Assistance Program in connection with the Program. The Corporation will provide down payment assistance in the form of a \$1,500.00 grant to Applicants, payable at Closing of the mortgage loan associated with an MCC.



EXHIBIT A

**SCHEDULE OF PROGRAM
FEES AND EXPENSES**

MCC Program Participation Fee..... 1% of the Loan amount

This fee is paid by the Applicant to the Administrator for the benefit of the Corporation at the time of the Closing of the Loan. If no MCC is issued to the Applicant, the MCC Program Participation Fee will be returned to the Applicant.

MCC Compliance Fee \$275

This fee is paid by the Applicant to the Administrator for the benefit of the Corporation for compliance review. The fee is payable at the time of Closing of the Loan.

MCC Extension Fee \$50

This fee is paid to the Administrator by the Applicant with the Lender's request for a two-month extension of the MCC Commitment Letter. Absent such an extension, MCC Commitment Letters remain in effect for three months in the case of Existing Housing and six months in the case of New Housing. Additional extensions may be granted if extenuating circumstances exist.

MCC Resubmission Fee \$25

This fee is submitted to the Administrator by the Lender each time the documentation for the MCC has been rejected based upon non-compliance with the Program guidelines and such documentation is being resubmitted for consideration by the Administrator. Since the Lender is responsible for assuring that all documentation is in order prior to submission to the Administrator, this fee is chargeable to the Lender rather than to the Applicant absent a showing of the Applicant's negligence.

MCC Assumption or Refinancing Fee..... \$325

This fee is paid to the Administrator by the Applicant and submitted with a Submission Package prepared in connection with a Loan assumption or refinancing associated with an MCC.

Lender Participation Fee \$1,000

This one-time fee is to be paid by the Lender and submitted with the acceptance letter regarding participation in the Program. The Lender's participation will be noted in all advertising and press releases concerning the Program. The Lender Participation Fee will be waived for any Lender that participated in the Corporation's 2010A MCC Program, 2010B MCC Program, 2010C MCC Program, 2011 MCC Program, 2012 MCC Program or 2015 MCC Program.

Late Fee..... \$75

This fee is paid to the Administrator by the Lender for a Submission Package that is sent to the Administrator more than 15 days after the Closing Date.



EXHIBIT B

HARRIS COUNTY HOUSING FINANCE CORPORATION 2018 MORTGAGE CREDIT CERTIFICATE PROGRAM

MCC INFORMATION GUIDE

The Harris County Housing Finance Corporation (the "Corporation") recently implemented a Mortgage Credit Certificate Program to help make ownership of homes located within the geographic limits of Harris County, Texas, **but not within the Cities of Baytown, Deer Park, Friendswood, Houston, La Porte, League City, Missouri City, Pasadena and Pearland** (subject to change upon written notice from the Administrator (hereinafter defined)) more affordable for low to moderate income households, especially first-time buyers. A Mortgage Credit Certificate (MCC) increases a family's disposable income by reducing its federal income tax obligations. This tax savings provides a family with more available income to qualify for a loan and meet mortgage payment requirements. In order to participate in the Program, homebuyers must meet certain eligibility requirements, purchase a home, and obtain a mortgage loan through a Lender. (Refer to the MCC Homebuyer Worksheet to see if you meet the general requirements for participation in the Program.) The Corporation has appointed The Southeast Texas Housing Finance Corporation (the "Administrator") to administer the Program.

ELIGIBLE BORROWERS

First-time Homebuyer Requirement: In general, borrowers seeking financing for the purchase of a residence must be first-time homebuyers, which means that the borrower has not owned a principal residence in the past three years. This requirement does not apply to Residences located within a Targeted Area or for applicants who are "qualified veterans." See "Targeted Areas" below.

Maximum Income Limits: A borrower's current anticipated annual family income must not exceed:

	Non-Targeted Area	Targeted Area
1-2 Family Members	\$76,300	\$85,500
3+ Family Members	\$87,745	\$106,820

Additionally, your adjusted gross income for last year must be \$93,240 or less. (These numbers are subject to change annually.)

HOME ACQUISITION COST LIMITATIONS

Non-Targeted	Targeted Area
Area \$298,085	\$364,326

(These numbers are subject to change annually.)



ELIGIBLE PROPERTY

General Information: New or existing owner-occupied, single family houses, townhouses, and condominiums are eligible. The cost of the residence must not exceed the maximum purchase price limits outlined in this MCC Information Guide.

Financing Terms: The mortgage loan must be financed from sources other than tax-exempt mortgage bonds or veteran's tax-exempt mortgage bonds. The mortgage may be a conventional, FHA or VA loan and will be at prevailing market rates. The interest payable under the loan must not be paid to a person who is related to the borrower.

PROGRAM DESCRIPTION

General Information: An MCC is a tax credit that will reduce the federal income taxes of qualified homebuyers purchasing a qualified Residence. As a result, the MCC has the effect of reducing your mortgage payments. Applications must be made to the Lender prior to closing the Loan. The MCC may not be used in connection with the refinancing of an existing loan.

Benefit Amount: The size of your annual tax credit will be 50 percent of the annual interest paid on your mortgage loan or \$2,000, whichever is less. The credit cannot be larger than your annual federal income tax liability, after all other credits and deductions have been taken into account. MCC credits in excess of your current year tax liability may, however, be carried forward for use in the subsequent three years. For an example of how MCCs work, see the MCC Homebuyer Worksheet.

Assumability: The MCC can be transferred only upon issuance of a new certificate by the Administrator. The person assuming your loan will have to qualify just as a new borrower would be required to qualify under the Program and pay applicable fees.

Tax Credit Versus Tax Deduction: A mortgage interest deduction differs from a mortgage tax credit in a number of ways. For example, all homebuyers, regardless of income, may take a mortgage interest deduction, whereas mortgage tax credits are available only to holders of Mortgage Credit Certificates. The dollar value of a mortgage interest deduction depends upon your tax bracket. If you are in the 15 percent tax bracket, you will save 15 cents in taxes for each dollar of mortgage interest paid. With the Mortgage Credit Certificate, you will save \$1 for each \$1 of credit received. Using an MCC and itemizing your deductions on Schedule A of Form 1040 will require you to reduce your mortgage interest deduction by an amount equal to your mortgage tax credit claimed.

Length of Benefit: Each year, your mortgage tax credit will be calculated on the basis of 50 percent of the total interest you paid on your mortgage loan that year. The MCC will be in effect for the life of your mortgage loan, so long as the residence remains your principal residence.

Recapture of Tax Credit: Your Mortgage Credit Certificate will be subject to certain requirements imposed by federal law concerning the recapture of a portion of the mortgage tax credit benefits granted to you upon the sale of your residence within nine years from the date of purchase. In no event will the recapture tax exceed one-half of your taxable gain on the sale of your residence. A separate notice of potential recapture tax disclosure form is available from participating lenders explaining how these requirements operate.



Down Payment Assistance: The Corporation will provide down payment assistance in the form of a \$1,500 grant to Applicants at the closing of the mortgage loan.

APPLICATION INFORMATION

Where to Apply: You may apply for an MCC in person at any mortgage lending institution. You may apply for an MCC through only one lending office. Any lender who has completed and filed a Lender Participation Agreement with the Administrator is a Participating Lender. If your lender is not a Participating Lender, have them contact the Administrator for a copy of the Lender Participation Agreement. Lenders are not required to participate in this Program.

How to Apply: At the time of MCC application, you will need to supply the Lender with general credit information such as account numbers for loans, credit cards, and bank accounts, three years of tax returns or tax return transcripts with W-2s attached. After you have made application, the Lender will forward your application to the Administrator. Upon receipt of a qualifying application, the Administrator will issue an MCC Commitment Letter which will reserve an MCC for three months for a loan for Existing Housing and six months for a loan for New Housing. At loan closing and upon the payment of the MCC Program Participation Fee of 1% of the mortgage loan amount, the \$275 Mortgage Compliance Fee and submission of the required Program documents in compliance with the guidelines, the MCC will be issued directly to you. Extensions are allowed upon request and the submission of a \$50 MCC Extension Fee. MCCs cannot be transferred from one Lender to another. In the event you desire to change Lenders, the MCC application and commitment will be revoked and the application process must start over with the new Lender.

FOR FURTHER INFORMATION

Telephone Numbers: If possible, please direct any inquiries you may have about our Program to one of the participating Lenders. If you are not able to obtain sufficient information in this manner, you may telephone the Program Manager, at (713) 952-2363. This MCC Information Guide is a general summary of the Program. Although we have attempted to ensure the accuracy of this Guide, it is subject to federal regulations, the Program documents, and to change without notice.

PARTICIPATING LENDERS

On October 9, 2017, the Corporation published reasonable public notice soliciting a statement from interested mortgage lenders in accordance with the Regulations thereby enabling the Corporation to maintain a list of participating lenders.



MCC HOMEBUYER WORKSHEET¹

You may be able to receive from the HARRIS COUNTY HOUSING FINANCE CORPORATION and your participating Lender a TAX CREDIT that reduces your federal income taxes dollar for dollar and still be able to receive a tax deduction for most of your home interest.

Generally, you qualify if you have not owned a home during the last three years (unless the home you purchase is located in a Targeted Area or you are a Qualified Veteran) and can answer "Yes" to the following:

	YES	NO
A. For Residence located within a Non-Targeted Area, \$86,135 or less (Family size of 3 or more) or \$74,900 or less (Family size of less than 3); or		
B. For a Residence located within a Targeted Area, \$104,860 or less (Family size of 3 or more) or \$89,880 or less (Family size of less than 3)?		
2. Was your Adjusted Gross Income last year \$96,880 or less?		
3. Have you found a single family home you would like to purchase that you will occupy:		
A. For a Residence located within a Non-Targeted Area that has an Acquisition Cost of not more than \$304,941; or		
B. For a Residence located within a Targeted Area, that has an Acquisition Cost of not more than \$372,706?		
4. Is the home within the area served by the Program?		
5. Can you produce evidence that you have not owned a home during the past three years or meet an exception to this requirement by purchasing a Residence located in a Targeted Area or by being a Qualified Veteran?		
A. For a Residence located within a Non-Targeted Area, provide copies of tax returns or tax return transcripts for the last three years; or		
B. For a Residence located within a Targeted Area or if you are a Qualified Veteran, provide a copy of the tax return or a tax return transcript for the year most recently ended.		
6. Have you completed a loan application at a participating Lender?		

¹ This sheet should be revised annually to reflect changes in purchase price and income limitations.



If you answered YES to all six questions, you may qualify for a Mortgage Credit Certificate.

PLEASE NOTE: Mortgage Credit Certificates cannot be used in connection with loans which are refinancing the existing balance of a loan you already have (except an interim construction loan) or with loans which are part of a tax-exempt mortgage bond program or a tax-exempt veterans' mortgage bond program.

CHECK TO SEE HOW MUCH MONEY YOU MIGHT BE ABLE TO PUT IN YOUR POCKET THE FIRST YEAR (not to mention each year of the remaining life of your loan!) by completing the following Mortgage Tax Credit Calculation:

Loan Amount	\$120,000
(times % interest rate of your Loan)	x 4.0%
Total Interest Paid First Year	\$ 4,800
(times MCC credit rate)	<u>x .50</u>
Approximate Annual Mortgage Tax Credit	\$ 2,400
Maximum Annual Mortgage Tax Credit	\$ 2,000

PLUS, in addition to taking the Mortgage Tax Credit dollar for dollar from the federal income taxes you owe each year, under current tax laws you can also deduct the interest paid on your Loan each year (less an amount equal to the Mortgage Tax Credit) and your property taxes.

If you think you qualify, go to your participating Lender for further information.



EXHIBIT C

MCC Commitment No.: _____
Expiration Date: _____
Applicant: _____
Lender: _____
Loan Amount: \$ _____

MORTGAGE CREDIT CERTIFICATE COMMITMENT LETTER

TO THE ABOVE APPLICANT AND LENDER:

An Application in the form of an Affidavit of Applicant and related documentation pursuant to the Harris County Housing Finance Corporation 2018 Mortgage Credit Certificate Program Manual, has been received by the undersigned Administrator and reviewed for its compliance with the terms and conditions of the Program. The Administrator has determined that the Applicant has complied with the initial requirements of the Program.

Subject to completion of the remaining terms and conditions prior to issuance of a Mortgage Credit Certificate pursuant to the Program Manual, the Administrator will execute and deliver a Mortgage Credit Certificate to the Applicant for a Loan amount not to exceed the above-indicated sum to be dated as of the date of closing the Loan. A copy of such Mortgage Credit Certificate shall be furnished to the Lender for its records, and a second copy shall be furnished to the Harris County Housing Finance Corporation.

The terms of this MCC Commitment Letter are governed by the Program Manual which is incorporated herein by reference as if fully set forth herein. THIS COMMITMENT WILL EXPIRE ON THE EXPIRATION DATE INDICATED ABOVE, which is three months from the date hereof if the Loan is being made for the purchase of Existing Housing or six months from the date hereof if the Loan is being made for the purchase of New Housing. If you require an extension, an Extension Request Form must be filed prior to the Expiration Date, or you may lose this commitment.

PLEASE BE SURE to submit the Submission Package to the Administrator within 15 days of the Closing Date.

THE SOUTHEAST TEXAS HOUSING
FINANCE CORPORATION, Administrator

Dated:

By:

Name:

Title:



EXHIBIT D

(FORM OF CERTIFICATE)

**HARRIS COUNTY HOUSING FINANCE CORPORATION
2018 MORTGAGE CREDIT CERTIFICATE PROGRAM**

This Mortgage Credit Certificate (this "Certificate") is issued by the Harris County Housing Finance Corporation (the "Issuer"), c/o Bracewell LLP, 711 Louisiana Street, Suite 2300, Houston, Texas 77002-2770, Tax Identification #52-1290770, pursuant to the Issuer's election not to issue qualified mortgage bonds, dated January 16, 2018, to:

Name(s): _____
Taxpayer ID Nos: _____
Address: _____
_____ TX _____

THE CERTIFICATE CREDIT RATE IS 50%.

Pursuant to the closing certificate as of the date below, the CERTIFIED INDEBTEDNESS AMOUNT with respect to which this Certificate is issued is \$_____ (Loan amount).

The EXPIRATION DATE of this Certificate, which is also the date such indebtedness matures, is _____.

The ACQUISITION COST of the Residence with respect to which this Certificate is issued is \$_____.

The AVERAGE AREA PURCHASE PRICE applicable to the Residence is \$_____.

The Residence with respect to which this Certificate is issued is (check one): ☐ located in a Targeted Area, ☐ being purchased by a Qualified Veteran, or ☐ none of the foregoing.

The CLOSING DATE, which is the date on which the closing agreement was signed with respect to the Certified Indebtedness Amount, was _____.

The Certificate holder meets the requirements of Internal Revenue Code § 25(c)(2)(A)(iii)(IV), relating to income, and the undersigned certifies under penalties of perjury that it has determined to the best of its ability that this Certificate meets the following requirements, as applicable, of Treasury Regulations § 1.25-3T(d), relating to residence; § 1.25-3T(e), relating to ownership interests within the three-year prior period; § 1.25-3T(f), relating to acquisition cost; § 1.25-3T(g), relating to new mortgages; § 1.25-3T(i), relating to prohibited mortgages; § 1.25-3T(j), relating to particular lenders; § 1.25-3T(n), relating to interest paid to related persons; and whether the Residence in connection with which this Certificate is issued is a Targeted Area Residence. There are no allocations to particular developments as described in § 1.25-3T(k).

This Certificate may be transferred only after issuance of a new Certificate by the Issuer.

The Administrator states, as agent of the Issuer and under penalty of perjury, that it has made the determinations described above as specified in Treasury Regulations § 1.25-6T(b)(9)-(16).

Date: _____ SOUTHEAST TEXAS HOUSING FINANCE CORPORATION, as Administrator
Cert. No.: _____ By: _____



(FORM OF CERTIFICATE)
(REVERSE)
TERMS AND CONDITIONS

FEDERAL TAX CREDIT. This Mortgage Credit Certificate ("MCC") entitles the holder (as named on the face of this MCC) to an annual federal tax credit equal to the lesser of 50 percent of the annual interest paid on the mortgage loan described on the face of this MCC or \$2,000.00. In addition, this MCC will reduce the holder's mortgage interest deduction by an amount equal to the tax credit for the same tax year. The credit cannot be larger than the holder's annual federal income tax liability, after all other credits and deductions have been taken into account. MCC credits in excess of current year tax liability may, however, be carried forward for use in the subsequent three years. At the time of issuance of this MCC, the filing of IRS Form 8396 is required in order to take advantage of the tax credit each year.

PRINCIPAL RESIDENCE. This MCC is to be used in connection with the financing of the purchase of a Residence. The Residence must be or become the holder's "Principal Residence" within a reasonable time (not to exceed 60 days) following the date of issuance of the MCC. The "Principal Residence" means a Residence that, depending on all the facts and circumstances (including the good faith intent of the occupant), is occupied by the holder primarily for residential purposes. "Principal Residence" does not include a home used as an investment property or a recreational home, or a home that is used primarily in a trade or business (as evidenced by the use of more than 15 percent of the total floor space in a trade or business). Further, the holder may not claim, with respect to the Residence, any deductions pursuant to Section 280A of the Internal Revenue Code of 1986, as amended, for expense incurred in connection with the business use of a home.

PRIOR OWNERSHIP OF A RESIDENCE. The holder of this MCC cannot have had a present ownership interest in a Principal Residence at any time during the three-year period prior to the date on which the Loan is executed. The term "present ownership interest" includes a fee simple interest; a joint tenancy, a tenancy in common or a tenancy by the entirety; the interest of a tenant-shareholder in a cooperative; a life estate; a land contract under which possession and the burdens and benefits of ownership are transferred although legal title is not transferred until some later date; and an interest held in trust for one person by another person. A "present ownership interest" does not include a remainder interest, a lease with or without an option to purchase, mere expectancy to inherit an interest in a principal residence, the interest that a person acquires upon the execution of a real estate purchase contract, or any interest in other than a "Principal Residence" during the previous three years. This requirement is waived if the Residence is located in a Targeted Area or if the Residence is acquired by a Qualified Veteran. There is no restriction on prior ownership for purchasers of a Targeted Area Residence.

PARTICIPATING LENDER AND LOAN ELIGIBILITY. Financing may be sought from any Lender. The decision to make a loan is completely within the discretion of the Lender to whom the application for a mortgage loan is submitted. The Issuer plays no role in the decision to make a Loan or determining the amount of the Loan.

MORTGAGE REQUIREMENTS. No MCC will be issued in connection with financing that is to be used to replace an existing mortgage on the Residence to which the holder is a party or upon which the holder is an obligor. No MCC will be issued unless, prior to the date thereof, the holder was not a party to a mortgage on the Residence (whether in the form of a deed of trust, contract for deed, conditional sales contract, pledge, agreement to hold title in escrow, or other form of owner financing), other than a construction loan, bridge loan, or other temporary initial financing having a term not exceeding 24 months. In addition, no MCC will be issued if any financing for the Residence is to be obtained from a qualified mortgage bond or qualified veterans' mortgage bond or if any person who is related to the holder has an interest as a creditor in the financing.

OCCUPANCY OF THE RESIDENCE. If the Residence ceases to be occupied as the holder's Principal Residence, the holder will no longer be eligible for the MCC and must immediately notify the Administrator and the Lender providing the financing of this fact and the date of this event.

INCOME LIMITS. At the time of execution of the Loan in connection with which this MCC is issued, the holder purchasing a Residence in a Non-Targeted Area cannot have an Anticipated Annual Family Income in excess of \$87,745 per year (Family size of 3 or more) or \$76,300 (Family size of less than 3). A holder purchasing a Residence in a Targeted Area cannot have an Anticipated Annual Family Income in excess of \$106,820 (Family size of 3 or more) or \$91,560 (Family size of less than 3). Additionally, the Adjusted Gross Income of the Applicant for the year preceding the issuance of the MCC cannot exceed the Maximum Adjusted Gross Income. The Income Limits may be subject to adjustment at any time.

ACQUISITION COST LIMITS. The acquisition cost for the Residence being acquired in connection with which this MCC is issued cannot exceed \$298,085 in a Non-Targeted Area. In the case of a Targeted Area Residence, the acquisition cost cannot exceed \$372,706. These limits may be subject to adjustment at any time.

TRANSFERABILITY. This MCC is not assumable and is transferable only upon application to the Administrator. The proposed transferee must meet all Program requirements then in effect.

COMPLIANCE WITH INTERNAL REVENUE CODE. This MCC is intended to comply with the provisions of Section 25 of the Internal Revenue Code of 1986, as amended, as well as any other applicable federal or State laws.



EXHIBIT E

TARGETED AREAS

The Corporation has reserved \$2,002,000 of the Certificate Limit until January 16, 2019 for the issuance of MCCs in connection with Targeted Area Residences within the Eligible Loan Area. Targeted Areas are those qualified census tracts shown below. Higher income and purchase price limits apply to Targeted Areas and borrowers need not be first-time homebuyers.

Qualified Census Tracts:

2222.00	
2227.00	*
2230.02	
2321.00	
2331.02	
2333.00	*
2405.01	*
2406.00	*
2408.01	
2415.00	*
2534.00	*
5330.00	*
5340.01	
5502.00	*
5503.01	*

* Tract is split between Incorporated and Unincorporated Areas



PROGRAM DOCUMENTS/FORMS/PROCEDURES

Step One Documents – Filing for Commitment

Document 3	MCC Submission Cover Sheet.....	41
Document 1	Affidavit of Applicant.....	42
	Worksheet 1 - Anticipated Annual Family Income	46
	Certificate of No Income	48
	Worksheet 2 - Last Year's Gross Income	49
	Worksheet 3 - Cost of Residence	50
	Worksheet 4 - Prior Residences	51
	Worksheet 5 – Qualified Veteran's Exemption (if applicable)	53
Document 2	Reserved.....	55
Document 5	Tax Return Affidavit (or 3 years of tax returns)	57
Document 7	Certificate of Lender.....	61
Document 9	Notice of Potential Recapture Tax	65
	Property Eligibility Tax Certificate or (HCAD Document)	
Document 13	Down Payment Assistance Grant.....	74

Fax/email Documents to Phyllis Constance at 832.379.2518:

1. Document 3;
2. Document 1 + worksheets;
3. Document 5+ 3 years' SIGNED tax returns;
4. Eligibility Tax Certificate;
5. Document 7; and,
6. Document 9
7. Document 13 (Must be accompanied by wiring instructions)

Step Two Documents – Submit Closing Instructions & Documents (Original Signatures)

Document 3 – MCC Submission Cover Sheet	41
Document 4 – Affidavit of Applicant	42
Document 6 - Affidavit of Seller with Worksheet	58
Document 8 - Closing Affidavit	64

Additional Documents:

Closing Disclosure (5 pages) with all signatures- Buyer-Seller (See Title Company Instructions, next page.)

**MCC CLOSING INSTRUCTIONS FOR TITLE COMPANY****HARRIS COUNTY HOUSING FINANCE CORPORATION MORTGAGE CREDIT CERTIFICATE (MCC)**

Title Company: _____

Lender: _____ GF# _____

Re: Closing instructions for HARRIS COUNTY HOUSING FINANCE CORPORATION MCC Program

Obtain signatures where appropriate and **fax** the following documents to
Harris County Administrator, Phyllis Constance to fax # 832-379-2518.

Item	Document	Resource Manual Page
1. MCC Cover Sheet	Doc 3	41
2. Reaffirmation of Applicant	Doc 4	56
3. Affidavit of Seller	Doc 6	58
4. Closing Affidavit	Doc 8	64
5. Closing Disclosure (5 pages) with all signatures- Buyer-Seller		

Mail check to:
Administrator, Phyllis Constance
11111 S. Sam Houston Parkway East
Houston, Texas 77089
281-484-4663

MAKE CHECK PAYABLE TO ADMINISTRATOR:

HARRIS COUNTY HOUSING FINANCE CORPORATION

1% MCC Program Participation Fee (1% of **TOTAL LOAN AMOUNT**)
plus \$275.00 Administration Fee



All blanks must be completed or the documentation may be rejected by the Program Administrator and Lender may be subject to a Resubmission Fee.

Lender: _____

Telephone: _____

Fax: _____

**2018 MCC SUBMISSION COVER SHEET
HARRIS COUNTY HOUSING FINANCE CORPORATION**

Applicant(s): _____

Taxpayer ID#: _____

Subject Property Address: _____

City: _____ TX Zip Code: _____

Subject Property Subdivision: _____ Builder: _____

Targeted Area: Yes ☐ No ☐ (only if New Construction)

MCC Commitment Number: _____ MCC Commitment Expiration Date: _____

Loan Amount: \$ _____ Loan Maturity: _____

Interest Rate on Loan: _____ % First Time Homebuyer: Yes ☐ No ☐Lender Loan Reference Number: _____ Qualified Veteran: Yes ☐ No ☐

L/O (Contact & Phone) _____

L/O E-mail: _____

Anticipated Annual Family Income: \$ _____

Prior Year's Adjusted Gross Income: \$ _____ Family Size: _____

Ethnicity of Borrower (optional): _____ Census Tract #: _____

Applicable Acquisition Cost Limit: _____ Acquisition Cost: \$ _____

☐ \$298,085 (Non-Targeted Area) Closing Date: _____☐ \$364,326 (Targeted Area) Grant Amount: \$ _____Residence: New ☐ Existing ☐ Loan Type: FHA: ☐ VA ☐ USDA ☐ Conventional ☐

Documents Submitted: For Commitment (check applicable)

- ☐ Document 3 Submission Cover Sheet
- ☐ Document 1 + worksheets + Certification of No Income
- ☐ Document 5 or 3 years' SIGNED Federal tax returns (w/W-2s) or tax return transcripts
- ☐ Document 7 Certificate of Lender
- ☐ Notice of Potential Recapture
- ☐ Eligibility Tax Certificate

For Down Payment Assistance: ☐ Grant Assistance Application

For Issuance of MCC: (check applicable)

- ☐ Document 3 – MCC Submission Cover Sheet
- ☐ Document 4 - Reaffirmation of Applicant
- ☐ Document 6 - Affidavit of Seller with Worksheet
- ☐ Document 8 - Closing Affidavit

Additional Documents:

- ☐ Closing Disclosure (5 pages) with all signatures - Buyer-Seller

For Reissuance of MCC upon Refinancing: (check applicable)

- ☐ Closing Affidavit (with original executed Closing Disclosure Notice (CD) or certified copy of executed Closing Disclosure Notice (CD attached))

The following fee must be submitted with the MCC Submission Package which is payable by cashier's check or money order, or by check from the lender or title company payable to the Harris County Housing Finance Corp.. (check applicable)

- | | |
|--|--|
| <input type="checkbox"/> [_____] MCC Program Participation Fee (1% of loan amount) | <input type="checkbox"/> [\$325] MCC Assumption or Refinancing Fee |
| <input type="checkbox"/> [\$275] MCC Compliance Fee | <input type="checkbox"/> [\$50] MCC Extension Fee |
| <input type="checkbox"/> [\$25] MCC Resubmission Fee | <input type="checkbox"/> [\$75] Late Fee |

ALL DOCUMENTS MUST BE SIGNED ORIGINALS OR BE CERTIFIED TRUE AND CORRECT.



AFFIDAVIT OF APPLICANT

MCC Comm.# _____
 Commitment Date: _____
 Expiration Date: _____
 [For Administrative Use Only]

Applicant 1: _____
 Applicant 2: _____
 Annualized Gross Income: \$ _____
 Family Size: _____
 Subject Property: _____
 Address: _____
 City/State/Zip _____ TX _____
 Residence New ☐ Existing ☐
 Targeted Area: Yes ☐ No ☐
 Acquisition Cost: \$ _____
 Loan Amount: \$ _____
 Census Tract #: _____
 Lender: _____
 Contact: _____
 Telephone: _____

THE STATE OF TEXAS §
 §
 COUNTY OF HARRIS §

The undersigned Applicant (whether one or more) under the Harris County Housing Finance Corporation's (the "Corporation") 2018 Mortgage Credit Certificate Program (the "Program"), the buyer(s) or owner(s) of the Residence listed above within the geographic limits of Harris County, Texas **but not within the Cities of Baytown, Deer Park, Friendswood, Houston, La Porte, League City, Missouri City, Pasadena or Pearland** (subject to change upon written notice from the Administrator (hereinafter defined)) (the "Residence"), promises, under penalty of perjury and the penalties listed here, that each of the following statements are true, correct and complete:

1. Income.
 - a. My anticipated annual family income is \$ _____. [See Worksheet One attached to this certificate.]
 - b. My adjusted gross income for the last year, when added to the adjusted gross income of all persons who intend to live with me in the Residence, is \$ _____. [See Worksheet Two attached to this certificate.]
 - c. I agree to furnish true copies of the federal income tax returns (with W-2s attached) that were signed and filed with the Internal Revenue Service or tax return transcripts for the past three years, including the most recent year, for myself and all persons who will live with me in the Residence and who will be liable on the loan. **[If the Residence is located in a Targeted Area or if the Applicant is a Qualified Veteran, only tax returns or tax return transcripts for the year most recently ended need to be provided.]**



I authorize the Lender listed above to review the returns to verify the statements I make here, and I authorize The Southeast Texas Housing Finance Corporation (the "Administrator"), the Program Manager, the Lender listed above, the Corporation and their agents to review the returns as may be necessary to process my application for a Mortgage Credit Certificate ("MCC") under the Program.

2. Family Size. The total number of my family members who will live with me in the Residence, plus any other persons who are not part of my family but who will live with me in the Residence, is _____.

3. Location of Residence. The Residence is located at the address listed above, which is within the geographic limits of Harris County, Texas but not within the Cities of Baytown, Deer Park, Friendswood, Houston, La Porte, League City, Missouri City, Pasadena or Pearland (subject to change upon written notice from the Administrator).

4. Acquisition Cost. (a) The Residence is (check one):

- ☐ a new single-family residence that has never been lived in; or
- ☐ a single-family residence that has been lived in before.

The Cost of the Residence (as calculated on Worksheet Three attached to this affidavit) is \$_____. "Cost" includes:

- (i) everything that I paid or that someone else paid for me, either in cash or in kind, for the Residence;
- (ii) if the Residence is not finished, the reasonable cost to finish it, whether or not the cost to finish the Residence is covered by the amount I borrowed to buy the Residence; and
- (iii) if the Residence sits on leased ground, the value of the ground lease.

I understand that "Cost" does not include:

- (i) settlement and financing costs (such as title and transfer fees, title insurance, survey fees, credit reference fees, legal fees, appraisal fees, points paid by me (but not points paid by the Seller), credit report fees, FHA insurance premiums, hazard or flood insurance premiums, abstract fees, tax service fees, recording or registration fees, escrow fees, file preparation fees and other similar costs);
- (ii) the value of any services performed by me or my family members (including brothers and sisters (whether by whole or half-blood), spouse, ancestors and lineal descendants only) in completing the Residence;
- (iii) the cost of the land the Residence sits on, if I owned the land for at least two years before the Residence was built;
- (iv) amounts that I paid or that someone paid for me to the Seller or for the Seller of the Residence for property that is not a "fixture" (permanently attached to the land or to the Residence); and
- (v) amounts that I paid or that someone paid for me or that the Seller of the Residence paid or that someone paid for the Seller for painting, minor repairs, floor refinishing or other fix-up expenses.

(b) Worksheet Three attached to this certificate is an accurate calculation of the "Cost" of the Residence.



5. Principal Residence. I intend to live in the Residence within a reasonable time (not to exceed 60 days) after closing of the Mortgage. The Residence will be my Principal Residence. I understand that "Principal Residence" means the home where I live and which is used primarily as a residence (not as a business). Whether the Residence is my Principal Residence depends on my particular circumstances, including my good-faith intention to make the Residence my Principal Residence. I understand that a "Principal Residence" does not include a home used that is rented to someone else or a vacation home or a home that is used primarily in a trade or business. If 15 percent or more of a home is used in a trade or business, the home is considered used primarily in a trade or business. I agree to notify the Lender and the Administrator immediately if the Residence stops being my Principal Residence.

6. Prior Ownership of a Residence. Either

(a) I have not owned a Principal Residence at any time during the last three years. I understand that "Principal Residence" means the same thing that it did in the paragraph above. (i) I understand that owning a Principal Residence could include the following types of arrangements: (A) direct ownership; (B) ownership along with someone else; (C) an agreement that once a certain number of payments of a set amount were made, I would own the residence; and (D) any other arrangements that would give me ownership in the future; and (ii) Worksheet Four attached to this certificate is a correct list of the places I have lived during the past three (3) years; and (iii) I have not claimed any deductions on my income tax returns during the last three years for real property taxes or interest on a home loan with respect to a "Principal Residence"; or

(b) The Residence is located in a Targeted Area or I am a Qualified Veteran.

7. Veteran Applicant. (a) I am a "veteran" (as defined in 38 U.S.C. Section 101) who has not previously obtained a mortgage loan financed by single family mortgage revenue bonds utilizing the veteran exception set forth in Section 143(d)(2)(D) of the Internal Revenue Code of 1986, as amended, as demonstrated on Worksheet Five attached hereto; and (b) attached hereto are true and correct copies of my discharge papers. [Cross out if not applicable.]

8. New Mortgage. The Mortgage on the Residence will not be used to repay a mortgage that I owed on the Residence or that I co-signed. I have never had a mortgage on the Residence (except for a temporary construction loan within 24 months from the date of this affidavit if the Residence was recently built).

9. Prohibited Mortgages. No portion of the financing for the Residence will come from the proceeds of qualified mortgage bonds or qualified veterans' mortgage bonds.

10. Size of Property; Income from Property. The lot that the Residence sits on is not larger than the normal size of lots in the area. I do not expect to make any money from the lot that the Residence sits on, such as by selling or leasing a portion of the lot.

11. Other Owners of Residence. Once I buy the Residence, no one will own any part of the Residence who has not signed this affidavit or another affidavit like this one.

12. Verification. I understand that the Lender, the Administrator, the Internal Revenue Service, the Corporation or their authorized representatives will check to make sure that my statements in this affidavit are true and complete. I agree to allow the Lender, the Administrator, the Internal Revenue Service, the Corporation and their authorized representatives access to any information, including all closing statements and forms, my past income tax returns, the checks from my bank or other proof that I paid my rent, utility bills, work records, etc., that may be needed to check the information I have provided. I will authorize others, such as my bank or my employer, to provide the information required to confirm the statements that I have made.

13. Program Information. I have been furnished a copy of the MCC Information Guide and am familiar with and understand the provisions of the Program.



14. No Other Certificate. I have not previously received an MCC under the Program.
15. Lender. I have not been required to use any particular lender to finance the purchase of the Residence in order to qualify for the MCC Program.
16. Transfer or Assumption. I understand that the MCC may not be transferred unless the Corporation, through the Administrator, issues a new MCC. If I ever want to transfer my MCC under the transfer provisions of the Program, the person to whom my MCC is transferred must qualify as an Applicant and must meet all of the requirements for an MCC that are in place at the time the new certificate is to be issued.
17. Interest to Related Persons. No portion of the Mortgage has been made by or will be repaid to a person who is related to me. No person will have an interest as a creditor with respect to the Residence.
18. Possible Interest Recapture. I understand, acknowledge, and agree that because I am receiving an MCC with my mortgage loan, I am receiving the benefit of a credit against my federal income tax and, therefore, if I sell or otherwise dispose of the Residence during the next nine years, this benefit may be "recaptured" by an increase in my federal income tax for the year in which I sell the Residence. The recapture only applies, however, if I sell the Residence at a gain and if my income increases above specified levels. I understand that I may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time I sell the Residence to determine the amount, if any, of the recapture tax, and that, at closing or within 90 days thereof, I will be given additional information that will be needed to calculate the recapture tax.
19. Penalty. These statements are made under penalty of perjury. I understand that any material misstatement in this or any affidavit or certification made in connection with application for or issuance of an MCC because I was negligent will result in a civil penalty of \$1,000, revocation of any MCC issued in connection with the application and any criminal penalty that may apply. Any material misstatement due to my fraud will result in a civil penalty of \$10,000, revocation of any MCC issued in connection with the application and any criminal penalty that may apply. I understand that perjury is a felony. A person who is convicted of perjury can be punished with a fine, imprisonment or both.
20. Attachments. All documents attached to this affidavit and marked as attachments are part of this affidavit and are true and correct and not misleading.

I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on: _____

Name(s) of Applicant(s): Print Name

Signature(s) of Applicant(s):

x

x



WORKSHEET ONE

Anticipated Annual Family Income

Required to Comply with Federal Income Tax Laws Relating to the MCC Program

1. The names, relationships, ages and taxpayer identification numbers of all persons intending to reside in the Residence are as follows:

Names	Relationship to Applicant	Ages	Taxpayer ID #

2. The name and address of the employer(s) of each of the above persons who is 18 years of age or older and who will be liable on the mortgage loan and his/her monthly gross income* is as follows (income from both spouses should be included even if only one spouse is liable on the loan):

First Name (from above)	Employer Name and Address	Monthly Gross Income
Total Monthly Gross Income		
		x 12 =
Anticipated Annual Family Income		

* "Monthly gross income" includes all amounts that I receive or expect to receive, whether or not I receive that amount on a regular basis. See listing for examples of the types of amounts to be included.

All current or anticipated wages and salaries, over-time pay, part-time employment compensation, commissions, fees, tips and bonuses, and other compensation for personal services, before payroll deductions;



Net income from the operation of a business or profession (without deducting expenditures for business expansion or amortization of capital indebtedness or an allowance for depreciation of capital assets);

Any interest, dividends, royalties, and other net income of any kind from any investment or from real or personal property (without deducting expenditures for amortization of capital indebtedness or an allowance for depreciation of capital assets);

All income received from social security, annuities, insurance policies, retirement funds, pensions, Department of Veterans Affairs (VA) compensation, disability, or other benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of periodic payments;

Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay;

The maximum amount of welfare assistance or any other form of public assistance available to the above persons;

Periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the Residence;

All regular pay, special pay, and allowances of a member of the Armed Forces (whether or not living in the Residence) who is the head of the household or spouse or other person whose dependents are residing in the Residence; and

Any earned income tax credit to the extent it exceeds income tax liability.

3. The Anticipated Annual Family Income for all of the above persons [the total monthly gross income from Section 2 above multiplied by twelve] is \$_____. **[Insert this figure in the blank in Section 1(a) of the Affidavit of Applicant.]**

4. I acknowledge that all of the above information is important to the issuance of a mortgage credit certificate. I agree to allow my employer or any other person with knowledge about my income to provide the information to the Harris County Housing Finance Corporation and its authorized agents and any authorized agent of the Treasury Department or the Internal Revenue Service.

Date:

X

Applicant 1

X

Applicant 2



Certification of No Income

All income must be verified for anyone receiving assistance, (only if applicable). To comply with this requirement, please complete and sign the information requested in the certification below for anyone claiming no income. This information will be held in strict confidence and used only for the purpose of establishing eligibility for the MCC Program.

I, _____, do hereby certify that I do NOT receive income from ANY source.

I understand sources of income include, but are not limited to, the following:

Employment a Company or Individual	Retirement Funds
Unemployment Compensation	Alimony
Social Security Income	Income from Assets
Workers Compensation	Pensions
Child Support	General Assistance
Education Grants/Work Study	Disability
Self-Employment	Union Benefits
Aid to Families with Dependent Children	Family Support
Annuities	

I certify that the foregoing is true, complete and correct. I consent to the making of any reasonable inquiries to verify the statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of the law.

This signature signifies that I receive NO INCOME from ANY SOURCE.

Date

Printed Name - Applicant 1

Signature

Printed Name - Applicant 2

Signature



WORKSHEET TWO

Last Year's Adjusted Gross Income

Required to Comply with Texas Law and Policies of
the Corporation Relating to the MCC Program

1. My adjusted gross income (from the appropriate line of IRS Form 1040, IRS Form 1040A, or IRS Form 1040EZ) for the most recent tax year was: \$ _____
2. The total adjusted gross income of each person who is expected to live with me in the Residence and be liable for the Mortgage for the most recent tax year was: \$ _____
3. Total Adjusted Gross Income (Total of 1 and 2) **[Insert this figure in the blank in Section 1(b) of the Affidavit of Applicant]:** \$ _____



WORKSHEET THREE

Cost of Residence

1. Amount I paid to the Seller for the Residence either with cash or some other kind of payment (including any amount the Seller is required to pay as a real estate commission or loan discount points): \$ _____
2. Any other extra amount not listed in Line 1 that I paid or that someone else paid for me to the Seller or for the Seller for the Residence either with cash or some other kind of payment: \$ _____
3. If the Residence is not finished, the estimated cost of finishing it, including the cost of any necessary alterations or improvements. Does not include the value of service that I or members of my family will perform in finishing the Residence. \$ _____
(Describe any alterations or improvements.)

\$ _____
4. If the Residence sits on leased land, the value of the lease at the time of purchase of the Residence (using a discount rate equal to the interest rate borne by the Loan). \$ _____
5. Total Cost of the Residence (Total of Lines 1, 2, 3 and 4) [Insert this figure in Paragraph 4 of the Affidavit of Applicant]: \$ _____



WORKSHEET FOUR

Prior Residences

**[NOT REQUIRED FOR A RESIDENCE LOCATED IN A
TARGETED AREA OR IF THE RESIDENCE IS BEING
ACQUIRED BY A QUALIFIED VETERAN]**

During the last three (3) years I have either:

(1) Rented at the following addresses for the following periods of time:

Address: _____	Landlord: _____
City: _____	From: _____
Phone No.: _____ (include area code)	To: _____

Address: _____	Landlord: _____
City: _____	From: _____
Phone No.: _____ (include area code)	To: _____

Address: _____	Landlord: _____
City: _____	From: _____
Phone No.: _____ (include area code)	To: _____

(Indicate additional addresses on a separate sheet, if necessary)

(2) Lived with the following members of my family (without owning a "Principal Residence"*) at the following addresses for the following periods of time:

Names: _____		
Relationship: _____		
Address: _____	City: _____	State: _____
Phone No.: (include area code) _____		
From: (Mo/Yr) _____	To: (Mo/Yr) _____	

Names: _____

Relationship:

Address: _____ City: _____ State: _____

Phone No.: (include area code)

From: (Mo/Yr) To: (Mo/Yr)

(Indicate additional addresses on a separate sheet, if necessary.)

- * I understand that "Principal Residence" means a home that is used primarily to live in. Whether the Residence is my Principal Residence depends upon my particular circumstances, including my good faith intention to make it my Principal Residence. I understand that a "Principal Residence" does not include a home that is rented to someone else or a vacation home or a home that is used primarily in a trade or business. If 15 percent or more of a home is used in a trade or business, the home is primarily used in a trade or business. I agree to notify Harris County Housing Finance Corporation immediately if the Residence stops being my Principal Residence.

(3) Lived under some other arrangement not described in (1) or (2) above without owning a "Principal Residence" at the following addresses for the following periods of time (describe the arrangements and give the names, addresses, and telephone numbers of persons who can be contacted to verify arrangements):



WORKSHEET FIVE - FOR QUALIFIED VETERANS ONLY
Qualification as "Veteran" within the meaning of 38 U.S.C. Section 101

In order to qualify as a "veteran" within the meaning of 38 U.S.C. Section 101, both (1) and (2) below must be satisfied.

I certify that the following is true:

- (1) Applicant must have served in the active military, naval or air service in one of the following capacities (must mark (a), (b) or (c)):

☐ (a) **Active duty** in one of the following manners:

- ☐ (i) full-time duty (other than active duty for training) in the Armed Forces (United States Army, Navy, Marine Corps, Air Force, and Coast Guard, including the reserve components);
- ☐ (ii) full-time duty (other than for training purposes) as a commissioned officer of the Regular or Reserve Corps of the Public Health Service (on or after July 29, 1945, or before that date if under circumstances affording entitlement to "full military benefits");
- ☐ (iii) full-time duty as a commissioned officer of the National Oceanic and Atmospheric Administration or its predecessor the Coast and Geodetic Survey (on or after July 29, 1945, or before that date if while on transfer to one of the Armed Forces or if while assigned to duty on a project for one of the Armed Forces in an area determined by Secretary of Defense to be of immediate military hazard during time of war or national emergency declared by President or if in the Philippine Islands on December 7, 1941 and continuously in such islands thereafter; or
- ☐ (iv) service as a cadet in the United States Military, Air Force or Coast Guard Academy, or as a midshipman at the United States Naval Academy; or
- ☐ (v) authorized travel to or from such duty or service listed in (a)(i) through (iv) above.

☐ (b) **Active duty for training** in one of the following manners if the member was disabled during such period from a disease or injury incurred or aggravated in the line of duty (specifically excludes any duty performed as a temporary member of the Coast Guard Reserve):

- ☐ (i) full-time duty for training purposes in the Armed Forces Reserves (Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, Coast Guard Reserve, Army National Guard of the United States and Air National Guard of the United States);
- ☐ (ii) full-time duty for training purposes as a commissioned officer of the Reserve Corps of the Public Health Service (on or after July 29, 1945, or before that date if under circumstances affording entitlement to "full military benefits";



- ☐ (iii) full-time duty for members of the Army National Guard or Air National Guard of any State under Title 32, Section 316 (detail of members of Army National Guard for rifle instruction of civilians), Section 502 (required drills and field exercises), Section 503 (participation in field exercises), Section 504 (National Guard schools and small arms competitions), or Section 505 (Army and Air Force schools and field exercises);
- ☐ (iv) duty performed as a member of a Senior Reserve Officers' Training Corps program when ordered to such duty for the purposes of training or a practice cruise under Chapter 103 of Title 10 for a period of not less than 4 weeks and which must be completed by the member before the member is commissioned; or
- ☐ (v) authorized travel to or from such duty listed in items (b)(i) through (iv) above.
- ☐ (c) Inactive duty training in one of the following manners if the member was disabled during such period from an injury incurred or aggravated in the line of duty or from an acute myocardial infarction, a cardiac arrest or a cerebrovascular accident occurring during such training (specifically excludes any work or study performed in connection with correspondence courses, attendance at an educational institution in an inactive status or duty performed as a temporary member of the Coast Guard Reserve):
 - ☐ (i) duty (other than full-time duty) prescribed for Reserves (Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, Coast Guard Reserve, Army National Guard of the United States, Air National Guard of the United States and commissioned officers of the Reserve Corps of the Public Health Service) by the Secretary concerned under Section 206 of Title 37 or any other provision of law;
 - ☐ (ii) special additional duties authorized for Reserves (Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, Coast Guard Reserve, Army National Guard of the United States, Air National Guard of the United States and commissioned officers of the Reserve Corps of the Public Health Service) by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned; or
 - ☐ (iii) training (other than active duty for training) by a member of, or applicant for membership (as defined in Section 8140(g) of Title 5) in the Senior Reserve Officers' Training Corps prescribed under Chapter 103 of Title 10.
- (2) Applicant has been discharged or released from the service referenced in (1) above under conditions other than dishonorable, including retirement or the satisfactory completion of the period of active military, naval or air service required if, due to enlistment or re-enlistment, discharge or release at the time of such completion was not awarded but was earned and would have been awarded under conditions other than dishonorable.

Date

Applicant Veteran Signature



[RESERVED]



MCC Comm.# _____
[For Administrative Use Only]

Applicant 1: _____
Applicant 2: _____
Loan Amount: \$ _____
Lender: _____
Contact: _____
Telephone: _____
Targeted Area: Yes ☐ No ☐
Subject Property Address _____
_____ TX _____

REAFFIRMATION OF APPLICANT

(To be executed at the time of Closing)

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

I hereby reaffirm that the statements and information contained in the Affidavit of Applicant which I executed in connection with the Harris County Housing Finance Corporation 2018 Mortgage Credit Certificate Program (the "Program") on the _____ day of _____, 20____, including, without limitation, the computation of the Acquisition Cost of the Residence and the computation of Anticipated Annual Family Income, were true, accurate and complete when made and remain true, accurate, complete and unchanged.*

CHECK IF APPLICABLE: ☐ I certify that the mortgage loan closing in connection with the Mortgage Credit Certificate for which I am applying under the Program is occurring between January 1 and February 15, and that I have not yet filed my federal income tax return for the prior year. I further certify that when I file my federal tax return for the prior year, I will neither be entitled to, nor claim, deductions for real estate taxes or interest on indebtedness with respect to my principal residence for that year.

Applicant's Signature

Applicant's Signature

Applicant's Printed Name

Applicant's Printed Name

Applicant's Taxpayer Identification Number

Applicant's Taxpayer Identification Number

* If the Acquisition Cost of the Residence or the Applicant's Anticipated Annual Family Income have changed, the Lender must have the Applicant re-execute the Affidavit of Applicant.



MCC Comm. # _____
[For Administrative Use Only]

Applicant 1: _____
Applicant 2: _____
Lender: _____
Contact: _____
Telephone: _____

TAX RETURN AFFIDAVIT

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

I hereby certify that I was not required by law to file a federal income tax return for the following year(s) and reasons stated below:

YEAR	REASON
<input type="checkbox"/> _____	
<input type="checkbox"/> _____	
<input type="checkbox"/> _____	

I certify that the foregoing is true, complete and correct. Inquiries may be made to verify statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of the law.

This signature signifies that I was not required to file federal income tax returns for the years listed above.

Date:

Applicant's Signature

Applicant's Signature

Applicant's Printed Name

Applicant's Printed Name



MCC Comm. # _____
[For Administrative Use Only]

Applicant 1: _____
Applicant 2: _____
Lender: _____
Contact: _____
Telephone: _____

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

AFFIDAVIT OF SELLER

I/We the undersigned, as an essential participant in an application for which a Mortgage Credit Certificate is being sought under Harris County Housing Finance Corporation 2018 Mortgage Credit Certificate Program, being first duly sworn hereby certify the following:

I(we) are the Seller (or Builder) of the single-family residence (the "Residence") located at:

ADDRESS BEING SOLD			
	HARRIS	TEXAS	
CITY	COUNTY	STATE	ZIP CODE

I(We) certify that the total amount to be paid by the purchaser (or a related party to or for the benefit of the purchaser) to me(us), or to anyone related to me(us), or for my(our) benefit (such as payment to a real estate agent) in connection with the purchase of the Residence is \$ _____.

Such amount does not include (1) usual and reasonable settlement and financing costs that would be paid by the purchaser where financing is not provided through the issuance of an MCC or qualified mortgage bond issue, (2) the value of services performed by purchaser or members of the purchaser's family, (3) the cost of any land owned by the purchaser at least 2 years prior to commencement of construction on the residence, or (4) any amount paid for personal property that is not a fixture under Texas law.



I(We) have not entered into any other contract or agreement with the Applicant(s), either expressed or implied, to perform additional construction on the Residence or to transfer any additional property at additional cost other than personal property contained in the Residence which are listed by item and amount and attached hereto and incorporated into this Affidavit.

I/we understand this Affidavit will be relied upon for the purposes of determining the Applicant's eligibility and understand that any fraudulent statement will result in (i) the immediate revocation of the Applicant's MCC and (ii) a \$10,000 penalty under Section 6709 of the Code. I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated

Signature of Seller1 or Signature or Builder Representative

Printed Name of Seller1 or Builder Representative

Dated

Signature of Seller1 - If Seller Is Not an Individual, Type/print Name and Title and Name of Selling Entity. If Signatory Is Not the Owner, Type/print Name and Title. Attach Copy of Power of Attorney.

Printed Name of Seller1

Dated

Signature of Seller2 or Signature or Builder Representative

Printed Name of Seller2 or Builder Representative



WORKSHEET - ACQUISITION COST

1. Amount paid for the Residence, in cash or in kind, by Applicant to the Seller (including any amount which Seller is required to pay as a real estate commission or loan discount points): \$ _____
2. Amount paid for the Residence, in each or in kind, by Applicant or any person related to the Applicant or by any person for the benefit of Applicant, to Seller or any person related to Seller or for Seller's benefit (other than the amount set forth above): \$ _____
3. If the Residence is incomplete or unfinished the estimated cost of completing it, including the cost of any necessary alterations or improvements. (Specify the nature of such alterations or improvements):
 \$ _____
4. If the Residence is located on leased land the capitalized value (using a discount rate equal to the interest rate borne by the Loan) of the ground rent: \$ _____
5. Total ACQUISITION COST: \$ _____



MCC Comm. # _____
[For Administrative Use Only]

Applicant 1: _____
Applicant 2: _____
Lender: _____
Contact: _____
Telephone: _____

CERTIFICATE OF LENDER

I, the undersigned authorized officer of the above Lender do hereby certify, represent and warrant to The Southeast Texas Housing Finance Corporation ("Administrator") and the Harris County Housing Finance Corporation (the "Corporation"), that:

1. All terms used herein shall have the meanings attributed to them in the Program Manual for the Corporation's 2018 Mortgage Credit Certificate Program unless a different meaning is specifically defined herein or is required by the context in which the term appears.

2. I have read the Affidavit of Applicant, the Reaffirmation of Applicant, the Closing Affidavit, the Tax Return Affidavit (if applicable), the Certification of No Income (if applicable) and the Affidavit of Seller (collectively, the "Affidavits") which were executed in connection with the Mortgage Credit Certificate Application made by the above Applicant and submitted to the Administrator. Prior to the execution of such documents, I reviewed the contents thereof with the Applicant, and if applicable, the closing agent.

3. (a) I have reviewed the credit analysis worksheet, or similar document, prepared in connection with this Loan. The worksheet accurately reflects the information this Lender has obtained concerning the monthly gross income of the Applicant, and this Lender has complied with the requirements of the Program Manual and the Lender Participation Agreement in verifying the accuracy of such information.

(b) Based upon Worksheet 1 attached to the Affidavit of Applicant, to the best of the Lender's knowledge and belief the Applicant's Anticipated Annual Family Income is \$_____.

(c) I further certify that I have examined the Applicant's federal income tax return or tax return transcript (or tax account information letter, if applicable) for the preceding year, and I have determined that the adjusted gross income of all persons who intend to reside with the Applicant in the Residence is within the required limit of \$100,100.

4. The Residence is located within the geographic limits of Harris County, Texas but not within the Cities of Baytown, Deer Park, Friendswood, Houston, La Porte, League City, Missouri City, Pasadena or Pearland (subject to change upon written notice from the Administrator).



5. I have conducted or have caused to be conducted an investigation regarding the truth of the facts set forth in said Affidavits, the nature of which investigation is as follows: [DESCRIBE DETAILS OF INVESTIGATION]

NOTE: Paragraph 6 below shall be deleted in its entirety in the case of an Applicant who is acquiring a Targeted Area Residence or an Applicant who is a Qualified Veteran.

6. The investigation described in paragraph 5 hereof complies with the requirements of the Program Manual and the Lender Participation Agreement, and such investigation included an examination of copies of income tax returns for the past three years provided by the Applicant which were filed with the Internal Revenue Service or tax return transcripts from the Internal Revenue Service for the past three years (or tax account information letters from the Internal Revenue Service covering such years), and the returns or information furnished indicated that during the preceding three years the Applicant did not claim deductions for taxes or interest on indebtedness with respect to the real property constituting a Principal Residence of the Applicant. ***[In the event that the Applicant was not required to file a federal income tax return for all of the three years preceding the execution of the Loan, the Lender is to make sure that the Tax Return Affidavit executed by the Applicant states that fact.]***

7. No facts have come to my attention as a result of said investigation or otherwise which would cause me to disbelieve or doubt the truth of the Affidavits, or any portion of any of such Affidavits.

8. The Loan is secured by a valid lien on a Residence which to the knowledge of the Lender is occupied by or is to be occupied by the Applicant as his or her Principal Residence, is made in accordance with the Program Manual and the Lender Participation Agreement, and is not for the purpose of refinancing any existing loan on any such property (other than a construction period loan, construction bridge loan, or similar temporary initial construction financing initially incurred for the sole purpose of acquiring the Residence and initially incurred within 24 months of execution of the Loan and having an original term not exceeding 24 months).

9. The fees and charges collected by the Lender for the Loan are in compliance with the Program Manual and the Lender Participation Agreement. The amounts collected by the Lender to reimburse the Lender for reasonable and customary charges paid or incurred for hazard or mortgage insurance premiums, survey, title insurances, appraisal fees, abstract and attorneys' fees, recording or registration charges, escrow fees, file preparation fees, application fees, credit reports, and similar charges do not exceed the reasonable and customary amounts charged by the Lender for mortgage loans not made in connection with the Program.



10. To the best knowledge of the Lender, the Applicant has not conveyed the Applicant's right, title or interest to or in the property to any party other than a trust for the benefit of such mortgagor and/or members of such Applicant's immediate family.

11. No portion of the financing of the Residence has come from the proceeds of qualified mortgage bonds or qualified veterans' mortgage bonds.

12. The statements set forth herein are made under penalty of perjury. I understand that perjury is a felony offense punishable by fine or imprisonment or both.

13. All capitalized terms used in this Certificate of Lender and not otherwise defined herein have the meanings attributed to them in the Program Manual distributed by the Corporation in connection with the Program.

Dated: _____

Lender

By: _____

Name: _____

Title: _____



MCC Comm. # _____
[For Administrative Use Only]

Applicant 1: _____
Applicant 2: _____
Lender: _____
Contact: _____
Telephone: _____

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

CLOSING AFFIDAVIT

The undersigned, in connection with the Harris County Housing Finance Corporation's 2018 Mortgage Credit Certificate Program, hereby certifies, with respect to the closing of the loan pertaining to the residence located at:

PROPERTY ADDRESS: _____
_____ TX _____

purchased by the above Applicant that the attached closing statements are true and correct copies of the closing statements prepared and delivered in connection with the following transaction.

SELLER1 /BUILDER: _____
SELLER2 /BUILDER: _____
APPLICANT 1 _____
APPLICANT 2 _____
LENDER: _____
PROPERTY ADDRESS: _____
City / State / Zip _____ TX _____
CLOSING DATE: _____
LOAN AMOUNT: \$ _____
REFINANCING: NO ☐ YES¹ ☐

LENDER OR CLOSING AGENT

(Name of Firm)

By: _____
Name: _____
Title _____

¹For refinancings, the Lender or Closing Agent, as applicable, certifies that \$ _____ is the outstanding balance on the loan associated with the existing MCC.



(To be completed by Lender and delivered to Applicant at the time of Closing of the Loan)

NOTICE OF POTENTIAL RECAPTURE TAX

Because you are receiving a mortgage credit certificate with your mortgage loan, you are receiving the benefit of a credit against your federal income tax. If you sell or otherwise dispose of your home during the next nine years, this benefit may be “recaptured.” The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain and if your income increases above specified levels.

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax. Along with this notice, below you are being given additional information that will be needed to calculate the recapture tax.

NOTICE OF MAXIMUM RECAPTURE TAX AND METHOD TO COMPUTE TAX ON SALE OF HOME

A. Introduction.

1. General. When you sell your home you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any references in this notice to the “sale” of your home also include other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

2. Exceptions. In the following situations, no recapture tax is due and you do not need to do the calculations:

- (a) You dispose of your home later than nine years after you close your mortgage loan;
- (b) Your home is disposed of as a result of your death;
- (c) You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under Section 1041 of the Internal Revenue Code; or
- (d) You dispose of your home at a loss.

B. Maximum Recapture Tax. The maximum recapture tax that you may be required to pay as an addition to your federal income tax is \$_____ [insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan]. This amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

C. Actual Recapture Tax. The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (1) 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your recapture amount determined by multiplying the following three numbers:



(i) \$_____ [insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan] (the maximum recapture tax, as described in paragraph B above),

(ii) The holding period percentage, as listed in Column 1 in the Table, and

(iii) The income percentage, as described in paragraph D below.

D. Income Percentage. You calculate the income percentage as follows:

(i) Subtract the applicable adjusted qualifying income in the taxable year in which you sell your home, as listed in Column 2 in the Table, from your modified adjusted gross income in the taxable year in which you sell your home.

Your modified adjusted gross income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your adjusted gross income must be increased by the amount of any interest that you receive or accrue in the taxable year from tax-exempt bonds that is excluded from your gross income (under Section 103 of the Internal Revenue Code); and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.

(ii) If the amount calculated in (i) above is zero or less, you owe no recapture tax and do not need to make any more calculations. If it is \$5,000 or more, your income percentage is 100%. If it is greater than zero but less than \$5,000, it must be divided by \$5,000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is \$1,000/\$5,000, your income percentage is 20%.

E. Limitations and Special Rules on Recapture Tax.

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.

2. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence on the site of the home financed with your original subsidized mortgage loan.

3. In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for them based on their interests in the home.

4. If you repay your loan in full during the four-year period following the day you close your subsidized mortgage loan and you sell your home during the nine-year recapture period, your holding period percentage may be reduced under the special rule in Section 143(m)(4)(C)(ii) of the Internal Revenue Code.

5. Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when you sell or otherwise dispose of your home to determine the amount, if any, of your actual recapture tax. See Section 143(m) of the Internal Revenue Code generally.



Recapture Table

Effective May 2017					
		Adjusted Qualifying Income			
Harris County		Non-Targeted Area		Targeted Area	
		(Family Size)*		(Family Size)*	
Date You Sell Your Home	Holding Period Percentage	1-2	3+	1-2	3+
Before the First Anniversary of Closing	20%	\$71,500.00	\$82,225.00	\$85,800.00	\$100,100.00
On or After the First Anniversary of Closing But Before the Second Anniversary of Closing	40%	\$75,075.00	\$86,336.25	\$90,090.00	\$105,105.00
On or After the Second Anniversary of Closing, But Before the Third Anniversary of Closing	60%	\$78,828.75	\$90,653.06	\$94,594.50	\$110,360.25
On or After the Third Anniversary of Closing, But Before The Fourth Anniversary of Closing	80%	\$82,770.19	\$95,185.72	\$99,324.23	\$115,878.26
On or After the Fourth Anniversary of Closing, But Before the Fifth Anniversary of Closing	100%	\$86,908.70	\$99,945.00	\$104,290.44	\$121,672.18
On or After the Fifth Anniversary of Closing, But Before the Sixth Anniversary of Closing	80%	\$91,254.13	\$104,942.25	\$109,504.96	\$127,755.78
On or After the Sixth Anniversary of Closing, But Before the Seventh Anniversary of Closing	60%	\$95,816.84	\$110,189.36	\$114,980.21	\$134,143.57
On or After the Seventh Anniversary of Closing, But Before the Eighth Anniversary of Closing	40%	\$100,607.68	\$115,698.83	\$120,729.22	\$140,850.75
On or After the Eighth Anniversary of Closing, But Before the Ninth Anniversary of Closing	20%	\$105,638.06	\$121,483.77	\$126,765.68	\$147,893.29

Amounts will vary over the life of the program. Closing means the closing date for your loan.



***Lender:** The actual notice to the applicant must provide the actual dollar figures for adjusted qualifying incomes for each of the years covered by the table. The entries in the first row are the highest qualifying incomes that, as of the date of the mortgage loan closing, would have met the low income requirement of Section 143(f) of the Code, taking into account whether the home financed with the subsidized mortgage loan is located in a targeted area as described in Section 143(j) of the Code (but determined without regard to Section 143(f)(3)(A) of the Code) or in a high housing cost area as described in Section 143(f)(5) of the Code. The entries in each subsequent row equal the entries in the immediately preceding row, times 1.05. The formula for determining these numbers is set forth in Section 143(m)(5) of the Code. Please refer to the "Worksheet to Compute Recapture Tax" provided by the Program Manager in order to complete Column 2.



Please acknowledge your receipt of a copy of this notice by signing below.

Signature of Applicant 1

Date

Signature of Applicant 2

Date



MCC Comm. # _____

[For Administrative Use Only]

Applicant 1: _____

Applicant 2: _____

Lender: _____

Contact: _____

Telephone: _____

EXTENSION REQUEST FORM

HARRIS COUNTY HOUSING FINANCE CORPORATION

The above Applicant and Lender are hereby requesting a two-month extension of the MCC Commitment Letter referenced above. Enclosed is a cashier's check or money order, or a check from the Lender, payable to The Southeast Texas Housing Finance Corporation (the "Administrator") for payment of the \$50 MCC Extension Fee.

The undersigned Applicant and Lender certify that this is the first Extension Request Form submitted concerning the above-referenced MCC Commitment Letter or, if any prior extensions have been granted, attached hereto is a description of the extenuating circumstances necessitating this request sworn to by the Applicant before a notary public.

Dated: _____

Applicant 1: _____

Lender: _____

Applicant 2: _____

Signature of Applicant:

By: _____

Name: _____

Signature of Applicant:

Title: _____

THIS EXTENSION REQUEST FORM MUST BE SUBMITTED TO THE ADMINISTRATOR PRIOR TO THE EXPIRATION DATE OF THE MCC COMMITMENT LETTER.

ADMINISTRATOR'S ISSUANCE OF EXTENSION

The above-referenced MCC Commitment Letter is hereby extended to _____

DATED: _____

THE SOUTHEAST TEXAS HOUSINGFINANCE CORPORATION, Administrator

By: _____

Name: _____

Title: _____



NOTICE OF DENIAL OF ELIGIBILITY FOR MCC
HARRIS COUNTY HOUSING FINANCE CORPORATION

TO: Administrator
The Southeast Texas Housing Finance Corporation
11111 South Sam Houston Parkway East
Houston, Texas 77089
Attn: Phyllis Constance

Applicant(s): _____
Taxpayer ID.#: _____
Residence Address: _____
_____ TX _____

Has an MCC Commitment Letter been issued: Yes ☐ No ☐

If Yes, what is the MCC Commitment Number? MCC Commitment #: _____

In compliance with the Mortgage Credit Certificate Program Manual, this Notice of Denial of Eligibility for MCC is being provided to The Southeast Texas Housing Finance Corporation, as Administrator. The above named Applicant has been determined to be ineligible for the issuance of an MCC under the Program for the following reasons [check all that apply]:

- ☐ Loan withdrawn or will not close using an MCC.
- ☐ Applicant's current ANTICIPATED ANNUAL FAMILY INCOME exceeds the Program income limits.
- ☐ Applicant's prior year's ADJUSTED GROSS INCOME exceeds \$100,100.
- ☐ The ACQUISITION COST of the Residence exceeds the applicable Program limits.
- ☐ Applicant does not meet the FIRST-TIME HOMEBUYER requirement or an exception thereto.
- ☐ Residence is not located within the ELIGIBLE LOAN AREA.
- ☐ Applicant's mortgage will be funded from a QUALIFIED MORTGAGE BOND or a QUALIFIED VETERANS' MORTGAGE BOND program.
- ☐ The loan proceeds will be used to REPLACE AN EXISTING MORTGAGE (other than a construction period loan, a bridge loan or similar temporary financing) on the Residence.
- ☐ The SIZE OF THE PROPERTY is greater than the normal and usual size of a lot in the area and in excess of that necessary for the basic liveability of the Residence.
- ☐ Applicant intends to derive INCOME FROM THE REAL ESTATE associated with the Residence.
- ☐ Other.

Explanation:

This information is being tendered to the Administrator for the sole purpose of compliance with the Program Manual and is not to be used for any other purpose.

Dated:

Lender:

By: _____

Name: _____

Title _____



MCC REISSUANCE APPLICATION
HARRIS COUNTY HOUSING FINANCE CORPORATION
2015 MORTGAGE CREDIT CERTIFICATE PROGRAM

MCC #: _____ Date: _____
Name(s) _____
Applicant 1 Applicant 2
Taxpayer ID Nos.: _____

This constitutes my application for a reissued Mortgage Credit Certificate (MCC) from Harris County Housing Finance Corporation (the "Issuer") in connection with the refinancing of Mortgage Loan on my Principal Residence. I acknowledge, understand, agree and certify under oath to the following:

1. I was previously issued an MCC (the "Existing MCC") by the Issuer pursuant to the Harris County Housing Finance Corporation's 2018 Mortgage Credit Certificate Program on _____, 20____. My Mortgage Credit Certificate Number is _____.
2. I have refinanced the Mortgage Loan for which the Existing MCC applied.
3. I understand that, as a result of the refinancing of my previous Mortgage Loan the federal income tax credits may not be claimed on the interest paid on the new Mortgage Loan unless my MCC is reissued.
4. I hereby certify that the Residence refinanced in connection with this application for a Reissued MCC is the same Residence financed in connection with the Existing MCC.
5. I understand that the Certified Indebtedness Amount specified on the Reissued MCC may not exceed the outstanding balance as of the date of refinancing of the Certified Indebtedness Amount of the Existing MCC.

(The Reissued MCC will be issued for a mortgage loan amount that is not greater than the amount that was required to pay off the remaining principal balance of the previous mortgage loan.)

If the principal amount of your new Mortgage Loan exceeds the amount required to pay off the previous Mortgage Loan, then only a portion of the interest on the new Mortgage Loan Amount is eligible for a tax credit.

6. I understand that the Reissued MCC will have a credit rate equal to the Existing MCC.
7. I understand that the Reissued MCC will not entitle me to take tax credits in any taxable year that exceed the Credit that would otherwise have been allowable to me with the Existing MCC.
8. My new (refinancing) Mortgage Loan closed on _____.
9. The following items have been enclosed with this MCC Reissuance Application and Affidavit:
 - A. A copy of the Existing MCC.
 - B. A copy of the Pay-Off Statement for the previous loan.



- C. Certified copy of the Closing Affidavit (with original executed Closing Disclosure Notice (CD) or certified copy of executed Closing Disclosure Notice (CD attached)
 - D. A cashier's check or money order, or a check from my Lender, in the amount of \$325, payable to The Southeast Texas Housing Finance Corporation, Program Administrator, as fee for processing the MCC Reissuance Application and reissuing an MCC.
10. I understand that the Reissued MCC will entirely replace the Existing MCC (that is, I cannot retain the Existing MCC with respect to any portion of the outstanding amount of the Certified Indebtedness Amount on the Existing MCC).

DATED: _____

SIGNATURE OF APPLICANT 1

SIGNATURE OF APPLICANT 2



DOWN PAYMENT ASSISTANCE PROGRAM - GRANT ASSISTANCE APPLICATION

Maximum Income Limit		
Number in Household	Non-Targeted Area	Targeted Area
1-2 Persons	\$76,300	\$91,560
3+ Persons	\$87,745	\$106,820
Maximum Purchase Price		
All Houses		
(New & Existing)	\$298,085	\$364,326

1. Name of Lender: _____
2. Name of Mortgagor: _____
3. Address of Residence: _____
4. Amount of Grant to be Transferred to Title Company: _____ \$1,500.00
5. Anticipated Closing Date: _____
6. Prepared By: _____
7. Reviewed By: (To be signed by Administrator) _____
8. Date Reviewed by Administrator: _____

Must be accompanied by wiring instructions

Title Company: _____

Escrow Officer's Name: _____

Phone: _____

Fax #: _____

E-mail: _____

Client GF#: _____



OPENING DOORS FOR YOUR CUSTOMERS

This section includes many informative sheets, including an explanation and example of Recapture. Homebuyer Information and MCC Worksheets in English and Spanish contain useful information to share with your customers and help you to explain how much money they can save.

We hope you will take the time to examine this section and learn more about the MCC and the presentation materials developed to enhance the buying experience you can provide to your customers!

**MCC Savings Example**

Loan Amount	\$120,000
Rate	4%
<i>Monthly Payment-Principal/Interest</i>	<i>571</i>
<i>Tax & Insurance</i>	<i>209</i>
<i>Total Monthly Payment</i>	<i>780</i>
<i>Total Interest Paid</i>	<i>4,800</i>
MCC Dollar-for-Dollar Tax Credit @ 50%	*\$2,000
Mortgage Deduction on remaining Interest:	\$2,800

* Federal Guidelines limit annual benefit to \$2,000. The remainder may be carried over for three years.

MCC taken:	Annually	or Monthly
Total income	\$60,000	\$60,000
Tax amount	7,000	7,000
MCC Tax Credit @ 50%	2,000	2,000
<i>Tax Amount Withheld by Employer</i>	<i>7,000</i>	<i>5,000*</i>
Refund	\$2,000	-0-

EXAMPLE:

Initial Cost = 1% of the loan amount plus \$275: $\$1,200 + \$275 = \$1,475$

First Year Tax Credit = \$2,000

* Adjust federal withholding to increase take-home \$160/month



Recapture

Recapture often is used as an excuse for not adding a Mortgage Credit Certificate to a loan. Research has shown that the incidence of recapture occurring is minimal, particularly when compared to the financial benefits to a homebuyer from an MCC.

The following example shows a scenario where recapture can be applied and a sample of the savings a homebuyer may experience. After working through this example, you will see that recapture did not harm the homebuyer and that an MCC significantly improves his/her position.

The Recapture Tax is a method for the federal government to recover entitlements when an individual's situation improves beyond the need of government. Therefore, if the homebuyer sells his/her home within nine years of purchase, **some very good things must happen before he is subject to recapture – the buyer must have gotten a raise in pay and made a profit on his home sale.** In fact, income MUST increase over certain limits set by the federal government for recapture to apply. **So, if there is no income increase past these allowable limits, then recapture does not apply.** The Recapture Table in this section gives you the income limits as well as percentages which apply to your income and time of sale.

The maximum recapture an individual can pay is 6.25% of the loan or half the gain on the house, **whichever is less.** To compute the amount of recapture consider that if the loan on the home is \$100,000, you will multiply: $\$100,000 \times .0625 = \$6,250$.

Remember, this is the MAXIMUM amount an individual can pay. Most of the time, this amount will be more than the figure reached when you apply other parts of the MCC recapture computation. On the next page is an example of how recapture works and the savings even with recapture.

**MCC RECAPTURE****WITH AN INCOME INCREASE/WITH A GAIN ON HOUSE SALE**

- Purchased house 4/1/13, cost \$105,000
- Loan amount, \$100,000
- Sold house 3/31/2017, proceeds \$108,000
- Income increased to \$2,000 above allowable limit
- Gain \$3,000 subject to recapture

Recapture formula considers whichever is less of the following three formulas:

1. MAXIMUM RECAPTURE FORMULA

6.25% OF THE LOAN AMOUNT

Example: $6.25\% \times \$100,000 = \$6,250$

OR

2. 50% OF THE GAIN (\$3,000)

Example: $.50 \times \$3,000 = \$1,500$

OR

3. ACTUAL RECAPTURE FORMULA:

The product of these three calculation steps:

1. 6.25% of the loan amount (\$100,000) = \$6,250;
2. Multiplied by the holding period percentage (4 years = 80%) $\$6,250 \times .80 = \$5,000$;
3. Multiplied by the income percentage;

Example: $(\$2,000/\$5,000 = 40\%) \$5,000 \times .40 = \$2,000$.

$$\$6,250 \times .80 \times .40 = \$2,000$$

$$\$2,000 < \$6,250$$

$$\$1,500 < \$2,000$$

1. **50% OF THE GAIN (\$1,500)** is less than the
2. **MAXIMUM RECAPTURE FORMULA (\$6,250)** and less than the
3. **ACTUAL RECAPTURE FORMULA (\$2,000).**

Therefore, Recapture Tax is \$1,500 compared to the MCC savings over the four-year period = \$8,000.

COST VS. BENEFIT

$$\text{Cost of MCC} = \$1,275 + \$1,500$$

vs.

$$\text{Benefit of MCC} = 4 \text{ Years} \times \$2,000 \text{ per year} = \$8,000$$

ACTUAL SAVINGS ON THE HOUSE IS: \$8,000 (MCC savings) - \$1,275 (1% of Loan plus Compliance Fee) - \$1,500 (Recapture) = \$5,225 plus \$3,000 gain on house = \$8,225

TOTAL BENEFIT TO HOMEBUYER OVER FOUR YEARS:

\$8,225!!!



Recapture Table

Effective May 2017					
Adjusted Qualifying Income					
Harris County		Non-Targeted Area		Targeted Area	
		(Family Size)*		(Family Size)*	
Date That You Sell Your Home	Holding Period Percentage	1-2	3+	1-2	3+
Before the First Anniversary of Closing	20%	\$71,500.00	\$82,225.00	\$85,800.00	\$100,100.00
On or After the First Anniversary of Closing But Before the Second Anniversary of Closing	40%	\$75,075.00	\$86,336.25	\$90,090.00	\$105,105.00
On or After the Second Anniversary of Closing, But Before the Third Anniversary of Closing	60%	\$78,828.75	\$90,653.06	\$94,594.50	\$110,360.25
On or After the Third Anniversary of Closing, But Before The Fourth Anniversary of Closing	80%	\$82,770.19	\$95,185.72	\$99,324.23	\$115,878.26
On or After the Fourth Anniversary of Closing, But Before the Fifth Anniversary of Closing	100%	\$86,908.70	\$99,945.00	\$104,290.44	\$121,672.18
On or After the Fifth Anniversary of Closing, But Before the Sixth Anniversary of Closing	80%	\$91,254.13	\$104,942.25	\$109,504.96	\$127,755.78
On or After the Sixth Anniversary of Closing, But Before the Seventh Anniversary of Closing	60%	\$95,816.84	\$110,189.36	\$114,980.21	\$134,143.57
On or After the Seventh Anniversary of Closing, But Before the Eighth Anniversary of Closing	40%	\$100,607.68	\$115,698.83	\$120,729.22	\$140,850.75
On or After the Eighth Anniversary of Closing, But Before the Ninth Anniversary of Closing	20%	\$105,638.06	\$121,483.77	\$126,765.68	\$147,893.29

Amounts will vary over the life of the program. Closing means the closing date for your loan.

**Change W-4 Forms for Monthly Adjustment***

Using the Mortgage Credit Certificate (MCC) Program, borrowers are entitled to receive a direct federal income tax credit equal to 50% of the interest paid on their mortgage loan. The credit is available each year so long as the borrower occupies the property as its principal residence. The amount of the credit is calculated based upon the interest paid each year. The credit is limited to the amount of income tax otherwise payable and may be used to reduce the taxes payable or to increase the tax refund due upon filing of the borrowers' federal income tax returns.

Borrowers may receive the benefit of the MCC credit as a refund upon filing of federal income taxes, or may adjust their withholding to receive the benefit in the form of higher take-home pay. To receive the benefit monthly, borrowers should amend their withholding by filing a revised Form W-4 with their employer reflecting the additional withholding exemptions resulting from the Mortgage Credit Certificate and the interest and real estate tax deductions from their home.

This is done by taking the amount by adjusting the amount of deductions reported on **Line D** on the W-4 form. The amount of the expected annual tax credit may be estimated by multiplying the average loan balance by the mortgage interest rate, times the credit rate of 50%.

Example:	\$120,000	loan amount	LOAN
	<u>X 4%</u>	loan	TIMES INTEREST RATE
	\$4,800	expected interest	EQUALS INTEREST
	<u>X 50%</u>	tax credit	TIMES 50% CREDIT
	\$2,000	annual tax credit	EQUALS CREDIT AMOUNT

Each \$400 of credit equates to one additional exemption for a borrower in a 15% income tax bracket (\$700 for persons in a 28% bracket.) Thus \$2,000 credit translates into approximately five additional withholding exemptions so that a family of three would increase its exemptions to seven. Family size and number of workers in the household also is a consideration. Remember, if you adjust your W-4 to reflect your MCC savings, you may not take the credit at the end of the year.

Personal Allowances Worksheet (Keep for your records.)	
A	Enter "1" for yourself if no one else can claim you as a dependent A _____
B	Enter "1" if: { • You're single and have only one job; or • You're married, have only one job, and your spouse doesn't work; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. } B _____
C	Enter "1" for your spouse . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) C _____
D	Enter number of dependents (other than your spouse or yourself) you will claim on your tax return D _____
E	Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above) E _____
F	Enter "1" if you have at least \$2,000 of child or dependent care expenses for which you plan to claim a credit F _____ (Note: Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)
G	Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than \$70,000 (\$100,000 if married), enter "2" for each eligible child; then less "1" if you have two to four eligible children or less "2" if you have five or more eligible children. • If your total income will be between \$70,000 and \$84,000 (\$100,000 and \$119,000 if married), enter "1" for each eligible child. G _____
H	Add lines A through G and enter total here. (Note: This may be different from the number of exemptions you claim on your tax return.) ► H _____
For accuracy, complete all worksheets that apply. { • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2. • If you are single and have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$50,000 (\$20,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld. • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.	


LINE D

* Harris Housing Advisors LLC and Knapp Communications, Inc., marketing agent for these programs, do not offer this information as tax advice. All MCC holders should consult their own tax advisor or the Internal Revenue Service for guidance regarding correct exemptions.

Form W-4 (2017)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2017 expires February 15, 2018. See Pub. 505, Tax Withholding and Estimated Tax.

Note: If another person can claim you as a dependent on his or her tax return, you can't claim exemption from withholding if your total income exceeds \$1,050 and includes more than \$350 of unearned income (for example, interest and dividends).

Exceptions. An employee may be able to claim exemption from withholding even if the employee is a dependent, if the employee:

- Is age 65 or older,
- Is blind, or
- Will claim adjustments to income; tax credits; or itemized deductions, on his or her tax return.

The exceptions don't apply to supplemental wages greater than \$1,000,000.

Basic instructions. If you aren't exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2017. See Pub. 505, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

Future developments. Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted at www.irs.gov/w4.

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for yourself if no one else can claim you as a dependent	A _____				
B	Enter "1" if: <table><tr><td>• You're single and have only one job; or</td><td rowspan="3">}</td></tr><tr><td>• You're married, have only one job, and your spouse doesn't work; or</td></tr><tr><td>• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.</td></tr></table>	• You're single and have only one job; or	}	• You're married, have only one job, and your spouse doesn't work; or	• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.	B _____
• You're single and have only one job; or	}					
• You're married, have only one job, and your spouse doesn't work; or						
• Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.						
C	Enter "1" for your spouse . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C _____				
D	Enter number of dependents (other than your spouse or yourself) you will claim on your tax return	D _____				
E	Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above)	E _____				
F	Enter "1" if you have at least \$2,000 of child or dependent care expenses for which you plan to claim a credit	F _____				
G	Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than \$70,000 (\$100,000 if married), enter "2" for each eligible child; then less "1" if you have two to four eligible children or less "2" if you have five or more eligible children. • If your total income will be between \$70,000 and \$84,000 (\$100,000 and \$119,000 if married), enter "1" for each eligible child.	G _____				
H	Add lines A through G and enter total here. (Note: This may be different from the number of exemptions you claim on your tax return.) ►	H _____				
For accuracy, complete all worksheets that apply. <table><tr><td>• If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.</td></tr><tr><td>• If you are single and have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$50,000 (\$20,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld.</td></tr><tr><td>• If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.</td></tr></table>			• If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.	• If you are single and have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$50,000 (\$20,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld.	• If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.	
• If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.						
• If you are single and have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$50,000 (\$20,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld.						
• If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.						

----- Separate here and give Form W-4 to your employer. Keep the top part for your records. -----

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate		OMB No. 1545-0074 2017	
1 Your first name and middle initial		Last name		2 Your social security number	
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.			
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ► <input type="checkbox"/>			
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		5			
6 Additional amount, if any, you want withheld from each paycheck		6		\$	
7 I claim exemption from withholding for 2017, and I certify that I meet both of the following conditions for exemption. • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here		7			
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.					
Employee's signature (This form is not valid unless you sign it.) ►					
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)		10 Employer identification number (EIN)	

Deductions and Adjustments Worksheet**Note:** Use this worksheet *only* if you plan to itemize deductions or claim certain credits or adjustments to income.

1	Enter an estimate of your 2017 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 10% of your income, and miscellaneous deductions. For 2017, you may have to reduce your itemized deductions if your income is over \$313,800 and you're married filing jointly or you're a qualifying widow(er); \$287,650 if you're head of household; \$261,500 if you're single, not head of household and not a qualifying widow(er); or \$156,900 if you're married filing separately. See Pub. 505 for details	1	\$	_____
2	Enter: $\left\{ \begin{array}{l} \$12,700 \text{ if married filing jointly or qualifying widow(er)} \\ \$9,350 \text{ if head of household} \\ \$6,350 \text{ if single or married filing separately} \end{array} \right\}$	2	\$	_____
3	Subtract line 2 from line 1. If zero or less, enter "-0-"	3	\$	_____
4	Enter an estimate of your 2017 adjustments to income and any additional standard deduction (see Pub. 505)	4	\$	_____
5	Add lines 3 and 4 and enter the total. (Include any amount for credits from the <i>Converting Credits to Withholding Allowances for 2017 Form W-4</i> worksheet in Pub. 505.)	5	\$	_____
6	Enter an estimate of your 2017 nonwage income (such as dividends or interest)	6	\$	_____
7	Subtract line 6 from line 5. If zero or less, enter "-0-"	7	\$	_____
8	Divide the amount on line 7 by \$4,050 and enter the result here. Drop any fraction	8		_____
9	Enter the number from the Personal Allowances Worksheet , line H, page 1	9		_____
10	Add lines 8 and 9 and enter the total here. If you plan to use the Two-Earners/Multiple Jobs Worksheet , also enter this total on line 1 below. Otherwise, stop here and enter this total on Form W-4, line 5, page 1	10		_____

Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)**Note:** Use this worksheet *only* if the instructions under line H on page 1 direct you here.

1	Enter the number from line H, page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet)	1	_____
2	Find the number in Table 1 below that applies to the LOWEST paying job and enter it here. However , if you are married filing jointly and wages from the highest paying job are \$65,000 or less, do not enter more than "3"	2	_____
3	If line 1 is more than or equal to line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "-0-") and on Form W-4, line 5, page 1. Do not use the rest of this worksheet	3	_____

Note: If line 1 is **less than** line 2, enter "-0-" on Form W-4, line 5, page 1. Complete lines 4 through 9 below to figure the additional withholding amount necessary to avoid a year-end tax bill.

4	Enter the number from line 2 of this worksheet	4	_____
5	Enter the number from line 1 of this worksheet	5	_____
6	Subtract line 5 from line 4	6	_____
7	Find the amount in Table 2 below that applies to the HIGHEST paying job and enter it here	7	\$ _____
8	Multiply line 7 by line 6 and enter the result here. This is the additional annual withholding needed	8	\$ _____
9	Divide line 8 by the number of pay periods remaining in 2017. For example, divide by 25 if you are paid every two weeks and you complete this form on a date in January when there are 25 pay periods remaining in 2017. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck	9	\$ _____

Table 1**Table 2**

Married Filing Jointly		All Others		Married Filing Jointly		All Others	
If wages from LOWEST paying job are—	Enter on line 2 above	If wages from LOWEST paying job are—	Enter on line 2 above	If wages from HIGHEST paying job are—	Enter on line 7 above	If wages from HIGHEST paying job are—	Enter on line 7 above
\$0 - \$7,000	0	\$0 - \$8,000	0	\$0 - \$75,000	\$610	\$0 - \$38,000	\$610
7,001 - 14,000	1	8,001 - 16,000	1	75,001 - 135,000	1,010	38,001 - 85,000	1,010
14,001 - 22,000	2	16,001 - 26,000	2	135,001 - 205,000	1,130	85,001 - 185,000	1,130
22,001 - 27,000	3	26,001 - 34,000	3	205,001 - 360,000	1,340	185,001 - 400,000	1,340
27,001 - 35,000	4	34,001 - 44,000	4	360,001 - 405,000	1,420	400,001 and over	1,600
35,001 - 44,000	5	44,001 - 70,000	5	405,001 and over	1,600		
44,001 - 55,000	6	70,001 - 85,000	6				
55,001 - 65,000	7	85,001 - 110,000	7				
65,001 - 75,000	8	110,001 - 125,000	8				
75,001 - 80,000	9	125,001 - 140,000	9				
80,001 - 95,000	10	140,001 and over	10				
95,001 - 115,000	11						
115,001 - 130,000	12						
130,001 - 140,000	13						
140,001 - 150,000	14						
150,001 and over	15						

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3402(f)(2) and 6109 and their regulations require you to provide this information; your employer uses it to determine your federal income tax withholding. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation; to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws; and to the Department of Health and Human Services for use in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

For the year Jan. 1–Dec. 31, 2017, or other tax year beginning , 2017, ending , 20		See separate instructions.
Your first name and initial Sample	Last name homeowner	Your social security number 999-99-9999
If a joint return, spouse's first name and initial happy	Last name homeowner	Spouse's social security number 999-99-9998
Home address (number and street). If you have a P.O. box, see instructions. 5847 elm street		Apt. no. ▲ Make sure the SSN(s) above and on line 6c are correct.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Houston TX 77019		Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
Foreign country name	Foreign province/state/county	Foreign postal code

Filing Status

1 ☐ Single

2 ☒ Married filing jointly (even if only one had income)

3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶

4 ☐ Head of household (with qualifying person). (See instructions.)
If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5 ☐ Qualifying widow(er) (see instructions)

Check only one box.

Exemptions

6a ☒ Yourself. If someone can claim you as a dependent, do not check box 6a

b ☒ Spouse

c Dependents:

(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) ☒ if child under age 17 qualifying for child tax credit (see instructions)

junior homeowner 999-99-9996 Son ☒

☐

☐

☐

d Total number of exemptions claimed

Boxes checked on 6a and 6b

No. of children on 6c who:

• lived with you

• did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above

Add numbers on lines above ▶

Income	7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	70,000.
	8a	Taxable interest. Attach Schedule B if required	8a	
	b	Tax-exempt interest. Do not include on line 8a	8b	
	9a	Ordinary dividends. Attach Schedule B if required	9a	
	b	Qualified dividends	9b	
	10	Taxable refunds, credits, or offsets of state and local income taxes	10	
	11	Alimony received	11	
	12	Business income or (loss). Attach Schedule C or C-EZ	12	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	13	
	14	Other gains or (losses). Attach Form 4797	14	
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.	15a	IRA distributions	15a	
	b	Taxable amount	15b	
	16a	Pensions and annuities	16a	
	b	Taxable amount	16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
	18	Farm income or (loss). Attach Schedule F	18	
	19	Unemployment compensation	19	
	20a	Social security benefits	20a	
If you did not get a W-2, see instructions.	21	Other income. List type and amount	21	
	22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	70,000.

Adjusted Gross Income	23	Educator expenses	23	
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
	25	Health savings account deduction. Attach Form 8889	25	
	26	Moving expenses. Attach Form 3903	26	
	27	Deductible part of self-employment tax. Attach Schedule SE	27	
	28	Self-employed SEP, SIMPLE, and qualified plans	28	
	29	Self-employed health insurance deduction	29	
	30	Penalty on early withdrawal of savings	30	
	31a	Alimony paid b Recipient's SSN ▶	31a	
	32	IRA deduction	32	
	33	Student loan interest deduction	33	
	34	Reserved for future use	34	
	35	Domestic production activities deduction. Attach Form 8903	35	
	36	Add lines 23 through 35	36	
	37	Subtract line 36 from line 22. This is your adjusted gross income ▶	37	70,000.

REV 01/09/18 Intuit.ca.cfp.sp Form **1040** (2017)

Mortgage Interest Credit(For Holders of Qualified Mortgage Credit Certificates Issued by
State or Local Governmental Units or Agencies)► Go to www.irs.gov/Form8396 for the latest information.

► Attach to Form 1040 or 1040NR.

Name(s) shown on your tax return

Sample & happy homeowner

Your social security number

999-99-9999

Enter the address of your main home to which the qualified mortgage certificate relates if it is different from the address shown on your tax return.

Name of Issuer of Mortgage Credit Certificate	Mortgage Credit Certificate Number	Issue Date
housing finance corporation	HC 200	01/01/2015

Before you begin Part I, figure the amounts of any of the following credits you are claiming: Credit for the elderly or the disabled, alternative motor vehicle credit, and qualified plug-in electric drive motor vehicle credit.**Part I Current Year Mortgage Interest Credit**

1 Interest paid on the certified indebtedness amount. If someone else (other than your spouse if filing jointly) also held an interest in the home, enter only your share of the interest paid	1	6,000.
2 Enter the certificate credit rate shown on your mortgage credit certificate . Do not enter the interest rate on your home mortgage	2	50.00 %
3 If line 2 is 20% or less, multiply line 1 by line 2. If line 2 is more than 20%, or you refinanced your mortgage and received a reissued certificate, see the instructions for the amount to enter You must reduce your deduction for home mortgage interest on Schedule A (Form 1040) by the amount on line 3.	3	2,000.
4 Enter any 2014 credit carryforward from line 16 of your 2016 Form 8396	4	
5 Enter any 2015 credit carryforward from line 14 of your 2016 Form 8396	5	
6 Enter any 2016 credit carryforward from line 17 of your 2016 Form 8396	6	
7 Add lines 3 through 6	7	2,000.
8 Limitation based on tax liability. Enter the amount from the Credit Limit Worksheet (see instructions)	8	5,844.
9 Current year mortgage interest credit. Enter the smaller of line 7 or line 8. Also include this amount in the total on Form 1040, line 54, or Form 1040NR, line 51. Check box c on that line and enter "8396" in the space next to that box	9	2,000.

Part II Mortgage Interest Credit Carryforward to 2018. (Complete **only** if line 9 is less than line 7.)

10 Add lines 3 and 4	10	
11 Enter the amount from line 7.	11	
12 Enter the larger of line 9 or line 10.	12	
13 Subtract line 12 from line 11.	13	
14 2016 credit carryforward to 2018. Enter the smaller of line 6 or line 13	14	
15 Subtract line 14 from line 13.	15	
16 2015 credit carryforward to 2018. Enter the smaller of line 5 or line 15	16	
17 2017 credit carryforward to 2018. Subtract line 9 from line 3. If zero or less, enter -0-	17	

Request for Transcript of Tax Return

- ▶ **Do not sign this form unless all applicable lines have been completed.**
▶ **Request may be rejected if the form is incomplete or illegible.**
▶ **For more information about Form 4506-T, visit www.irs.gov/form4506t.**

OMB No. 1545-1872

Tip. Use Form 4506-T to order a transcript or other return information free of charge. See the product list below. You can quickly request transcripts by using our automated self-help service tools. Please visit us at IRS.gov and click on "Get a Tax Transcript..." under "Tools" or call 1-800-908-9946. If you need a copy of your return, use **Form 4506, Request for Copy of Tax Return**. There is a fee to get a copy of your return.

1a Name shown on tax return. If a joint return, enter the name shown first.	1b First social security number on tax return, individual taxpayer identification number, or employer identification number (see instructions)
2a If a joint return, enter spouse's name shown on tax return.	2b Second social security number or individual taxpayer identification number if joint tax return
3 Current name, address (including apt., room, or suite no.), city, state, and ZIP code (see instructions)	
4 Previous address shown on the last return filed if different from line 3 (see instructions)	
5 If the transcript or tax information is to be mailed to a third party (such as a mortgage company), enter the third party's name, address, and telephone number.	

Caution: If the tax transcript is being mailed to a third party, ensure that you have filled in lines 6 through 9 before signing. Sign and date the form once you have filled in these lines. Completing these steps helps to protect your privacy. Once the IRS discloses your tax transcript to the third party listed on line 5, the IRS has no control over what the third party does with the information. If you would like to limit the third party's authority to disclose your transcript information, you can specify this limitation in your written agreement with the third party.

6 Transcript requested. Enter the tax form number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request. ▶ _____

a Return Transcript, which includes most of the line items of a tax return as filed with the IRS. A tax return transcript does not reflect changes made to the account after the return is processed. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120, Form 1120-A, Form 1120-H, Form 1120-L, and Form 1120S. Return transcripts are available for the current year and returns processed during the prior 3 processing years. Most requests will be processed within 10 business days ☐

b Account Transcript, which contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by you or the IRS after the return was filed. Return information is limited to items such as tax liability and estimated tax payments. Account transcripts are available for most returns. Most requests will be processed within 10 business days . . . ☐

c Record of Account, which provides the most detailed information as it is a combination of the Return Transcript and the Account Transcript. Available for current year and 3 prior tax years. Most requests will be processed within 10 business days ☐

7 Verification of Nonfiling, which is proof from the IRS that you **did not** file a return for the year. Current year requests are only available after June 15th. There are no availability restrictions on prior year requests. Most requests will be processed within 10 business days . . . ☐

8 Form W-2, Form 1099 series, Form 1098 series, or Form 5498 series transcript. The IRS can provide a transcript that includes data from these information returns. State or local information is not included with the Form W-2 information. The IRS may be able to provide this transcript information for up to 10 years. Information for the current year is generally not available until the year after it is filed with the IRS. For example, W-2 information for 2011, filed in 2012, will likely not be available from the IRS until 2013. If you need W-2 information for retirement purposes, you should contact the Social Security Administration at 1-800-772-1213. Most requests will be processed within 10 business days . . ☐

Caution: If you need a copy of Form W-2 or Form 1099, you should first contact the payer. To get a copy of the Form W-2 or Form 1099 filed with your return, you must use Form 4506 and request a copy of your return, which includes all attachments.

9 Year or period requested. Enter the ending date of the year or period, using the mm/dd/yyyy format. If you are requesting more than four years or periods, you must attach another Form 4506-T. For requests relating to quarterly tax returns, such as Form 941, you must enter each quarter or tax period separately.

/	/	/	/
---	---	---	---

Caution: Do not sign this form unless all applicable lines have been completed.

Signature of taxpayer(s). I declare that I am either the taxpayer whose name is shown on line 1a or 2a, or a person authorized to obtain the tax information requested. If the request applies to a joint return, at least one spouse must sign. If signed by a corporate officer, 1 percent or more shareholder, partner, managing member, guardian, tax matters partner, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute Form 4506-T on behalf of the taxpayer. **Note:** This form must be received by IRS within 120 days of the signature date.

<input type="checkbox"/> Signatory attests that he/she has read the attestation clause and upon so reading declares that he/she has the authority to sign the Form 4506-T. See instructions.	Phone number of taxpayer on line 1a or 2a
<div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> Signature (see instructions) </div> <div style="width: 40%;"> Date </div> </div>	
<div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> Title (if line 1a above is a corporation, partnership, estate, or trust) </div> <div style="width: 40%;"> Date </div> </div>	
<div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> Spouse's signature </div> <div style="width: 40%;"> Date </div> </div>	

**Lender's Information Return for
Mortgage Credit Certificates (MCCs)**

For calendar year ending _____

OMB No. 1545-0922

► Information about Form 8329 and its instructions is at www.irs.gov/form8329.

Part I Reporting Authority

Lender's name		Employer identification number
Lender's address (number, street, or P.O. box no., if mail is not delivered to street address)		Room/suite
City, town, or post office, state, and ZIP code		

Part II Issuing Authority

Issuer's name		Employer identification number
Issuer's address (number, street, or P.O. box no., if mail is not delivered to street address)	Room/suite	Election date
City, town, or post office, state, and ZIP code		Nonissued bond amount

Part III Recipients of Mortgage Credit Certificates (If more than five recipients, see instructions.)

(a) Name(s)	(b) Address Do not use a P.O. box number.	(c) Social Security Number(s)
1		
2		
3		
4		
5		

Part IV Computation of the Total Amount of Mortgage Credit Certificates (Note: Match the information entered on each line with information entered on each corresponding line in Part III.)

(d) Date of Issue of MCC	(e) Certified Indebtedness Amount of Each MCC Issued	(f) Certificate Credit Rate	(g) Amount of MCC Issued (column (e) x column (f))
1			
2			
3			
4			
5			
6 Total amount of MCCs issued. (See instructions.) ►			

**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than representative of lender) is based on all information of which preparer has any knowledge.

► Signature of authorized representative of lender	Date	► Title
--	------	---------

**Paid
Preparer
Use Only**

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ►			Firm's EIN ►	
Firm's address ►			Phone no.	