

ADFA MCC - Mortgage Credit Certificate Program

The ADFA MCC is “FREE” when using an ADFA First Mortgage

The Arkansas Development Finance Authority (ADFA), together with local participating lenders brings you the ADFA Mortgage Credit Certificate Program (ADFA MCC), a financial tool to help first-time homebuyers purchase homes that otherwise might not be able to afford one. With the ADFA MCC Program, 50% percent of the mortgage interest is a tax credit - a dollar-for-dollar reduction of income tax liability for the life of the loan. The remaining 50 percent of the mortgage interest continues to qualify as an itemized tax deduction for the homebuyer.

Prospective homebuyers can obtain an ADFA MCC “FREE” when applying for an “ADFA Move-Up” or “ADFA Move-Up Choice” loan at any participating lender. An ADFA MCC is also available when using another first mortgage product for a fee of .5 percent of the loan amount (the .5% fee is waived if you are veteran or veteran’s spouse).

**Only available at the
time of purchase.**

When using an ADFA MCC, an income tax credit can result in approximately \$166 in monthly savings or \$2,000 a year in an additional tax refund. The actual benefit varies according to the amount of the loan and the interest rate. Simply put, it is a reduction of the federal income taxes you owe, or an increase in your refund, helping your dreams of owning a home become a reality.

Sample MCC Calculation

| | | |
|--------------------------|---|--------------|
| Amount of 1st Mortgage | | \$150,000.00 |
| Interest Rate | x | 3.75% |
| First Year Interest Paid | = | \$5,625.00 |

MCC Tax Rate - 50%

| | |
|--------------------------------|------------|
| Amount of Benefit for the year | \$2,812.50 |
| **Max \$2,000 allowed | \$2,000.00 |

**Calendar Months Divided by 12 = Monthly
Savings \$166.66**

***With a 50% MCC Rate the maximum amount of tax credit is \$2,000.00 per year.*

Also, if you need help qualifying for a home, the ADFA MCC can work in your favor or even assist you in qualifying for a larger home. Ask your lender for details.

Do I qualify for an ADFA MCC?

- ▶ Must be a first-time homebuyer, a veteran or veteran’s spouse, or purchasing a home in a targeted county.
- ▶ Meet income requirements - each county has income limits that the household cannot exceed based on the size of the household. Income restrictions may not apply if property is located in a targeted county.
- ▶ Home purchase price cannot exceed \$270,000.
- ▶ Must qualify for a mortgage with an approved ADFA lender. The ADFA MCC can be used with an “ADFA Move-Up” (no fee), “ADFA Move-Up Choice” (no fee) or as a stand-alone (.5% of the loan amount). A list of approved lenders can be found on ADFA’s website at <https://homeloans.arkansas.gov/lender-form/>.
- ▶ Must use the home as principal residence.

How does a homebuyer use the ADFA MCC?

- ▶ The borrower claims the tax credit when they file their Form 1040 “U.S. Individual Income Tax Return” annually. They must use Form 8396 “Mortgage Interest Credit” to claim the credit.
- ▶ To take advantage of the tax credit as soon as possible, the borrowers may go to their employer and adjust their W-4’s to reflect the anticipated credit. A \$2,000 tax credit ÷ 12 = \$166.66 monthly.

Please consult with your tax advisor to see if an ADFA MCC is right for you. ADFA determines whether homebuyers qualify for MCCs, but homebuyers must determine for themselves how valuable an MCC will be for them over the life of their loan. ADFA cannot and does not give any tax advice.