

**PUBLIC NOTICE
TO QUALIFIED HOMEBUYERS
AND INTERESTED MORTGAGE LENDERS
ARKANSAS DEVELOPMENT FINANCE AUTHORITY
2022 MORTGAGE CREDIT CERTIFICATE PROGRAM**

The Arkansas Development Finance Authority ("ADFA") is proposing to implement a program for Mortgage Credit Certificates ("MCC's") in Arkansas (the "2022 MCC Program"). MCC's are a form of Federal income tax credits to qualified homebuyers. The amount of the credit will range from 20% to 50%, in some instances capped at \$2,000 annually, of the yearly interest paid on a qualified mortgage. No sooner than 90 days following the date of this Notice, ADFA will begin to issue MCC's to qualified homebuyers in Arkansas according to the guidelines noted below.

This public notice serves two purposes. First, it notifies the general public concerning the establishment of the 2022 MCC Program. Secondly, it serves as a notice to interested mortgage lenders to request an application form and learn about the requirements for participating in the 2022 MCC Program.

Purchasers of a new or existing single-family home located in Arkansas may apply for an MCC through any participating lender when they apply for financing for the purchase of their home. An MCC cannot be issued in connection with a mortgage loan that refinances or pays off the purchaser's existing mortgage or land contract (except for certain construction period and temporary loans) or with a mortgage loan provided from proceeds of tax-exempt bonds.

Under the proposed 2022 MCC Program, MCC applicants will contact participating lenders to determine eligibility. A list of participating lenders will be available on our website at homeloans.arkansas.gov. MCC applicants will not be required to obtain financing from lenders on the list; however, to ensure compliance with federal regulations, MCC applicants must obtain financing from a lender that has executed an MCC agreement with ADFA that will set forth the requirements and conditions to participation in the 2022 MCC Program. Lenders will process applications for loans, with certifications and affidavits being executed by the applicant at relevant points to determine compliance with the requirements for an MCC, and will then apply to ADFA for a commitment to issue an MCC. ADFA will review applications to determine compliance with the requirements of the 2022 MCC Program and determine that MCC's remain available under the 2022 MCC Program. If found to be eligible, the applicant will pay a non-refundable issuance fee of one half of one percent of the first mortgage loan amount. ADFA will then commit to issuing an MCC to the applicant. Assuming no material changes occur between commitment and loan closing that would disqualify an applicant, ADFA will issue the MCC to the applicant on or after the closing date of the mortgage loan. The applicable fees are subject to change without notice. No MCC will be issued after the date that all of the MCC's have been allocated and in no event later than December 31, 2024.

To be eligible for an MCC, the homebuyer's gross annual household income may not exceed the limits set forth below. Gross annual income is the total of all income, from whatever source, of all persons age 18 and older who will reside or who intend to reside in the residence. The maximum family incomes for all borrowers, as established by ADFA, currently range from

\$64,920 to \$89,880 for one or two person household, and from \$75,740 to \$104,860 for three or more persons in household. Updated income and eligibility standards will be provided periodically to lenders and may be revised by ADFA at any time. Limits on income will in no event exceed the maximum levels, if any, permitted by the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "Code").

The maximum purchase price, as established by ADFA, is currently \$300,000. Qualifying homebuyers also must meet the following eligibility requirements:

1. Must reasonably expect to occupy the residence as their principal residence within 60 days after it is financed by a participating lender. The MCC will expire on the date that the residence ceases to be the principal residence of the qualified homebuyer or earlier if it is revoked by ADFA because the homebuyer is not in compliance with requirements of the Code.
2. Must not have had an ownership interest in a principal residence within the preceding three years, except (i) for qualified homebuyers purchasing homes in federally designated targeted areas and (ii) for certain veterans, who are exempt from this requirement.
3. No more than 15% of the residence being purchased may be used in a trade or business use in accordance with the Code.

MCC commitments will be issued on a first-come, first-serve basis. There is no allocation of MCC's by lender; however, for the first year of the 2022 MCC Program, at least 20% will be set aside for mortgage loans in targeted areas.

Homebuyers must be qualified for an MCC pursuant to the Code and the guidelines, rulings and interpretations issued by the Internal Revenue Service which shall control in the event of a conflict with other requirements. The homebuyer must meet the credit and underwriting criteria established by the participating lender who provides the mortgage loan. ADFA does not originate mortgage loans in connection with MCC's. The applicant must sign all documents and affidavits which are needed to demonstrate the homebuyer's eligibility for an MCC.

For more information on the 2022 MCC Program see our website at homeloans.arkansas.gov or contact Denise Wells, Assistant Single Family Program Manager, Arkansas Development Finance Authority, 1 Commerce Way, Suite 602, Little Rock, AR 72202 or call (501) 682-5466. Mortgage lenders should also contact Denise Wells to obtain an application or to express an interest in being included on the list discussed above.

Dated: February 11, 2022

Arkansas Development Finance Authority