



DENVER
THE MILE HIGH CITY



**Mortgage Credit
Certificate Program**

2017 \$65MM MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM

Assist qualified homebuyers to purchase their home by providing an annual tax credit.

CITY COUNCIL ACTION

➤ **Action:**

- **Approve the 2017 MCC Program by allocating the use of \$65MM in Private Activity Bond volume cap and approve the required program documentation.**

➤ **Schedule:**

- **April 18th – Finance & Governance Committee**
- **April 25th – Mayor Council**
- **May 1st – 1st Reading at City Council**
- **May 8th – 2nd Reading at City Council (no public hearing required)**

WHAT IS A MORTGAGE CREDIT CERTIFICATE (MCC)?

- **An MCC is a certificate awarded by the City authorizing the holder to take certain federal income tax credits.**
- **A qualified borrower who is awarded an MCC from the City's 2017 MCC Program may take an annual credit against their federal income taxes of 25% of the annual interest paid on their mortgage up to a maximum of \$2,000.**
- **The City is making \$65MM of credits available to qualified plan participants.**
 - **Allocating \$65MM of PAB capacity towards this program.**
- **The Mortgage Credit Certificate (MCC) Program was created to assist qualified homebuyers to purchase a home by providing an annual tax credit.**

SAMPLE MCC CALCULATION FOR HOMEBUYER

Variables & Borrower Benefit Summary	
Purchase Price of Home	\$251,000
3.5% Down Payment	\$8,785
Loan Principal Amount	\$242,215
Mortgage Rate	5.000%
Loan Period in Years	30
Base Year of Loan	2017
Mortgage Interest Paid 2017	\$12,030
MCC Rate	25%
Allowable Tax Credit 2017	\$2,000
Potential Total 30 Year Credit	\$47,393

Mortgage Credit Certificate Schedule				
Year	Mortgage Interest	MCC Rate	Gross Tax Credit	Allowable Tax Credit
2017	\$12,030	25%	\$3,007	\$2,000
2018	\$11,847	25%	\$2,962	\$2,000
2019	\$11,655	25%	\$2,914	\$2,000
2020	\$11,453	25%	\$2,863	\$2,000
2021	\$11,240	25%	\$2,810	\$2,000
2022	\$11,017	25%	\$2,754	\$2,000
2023	\$10,782	25%	\$2,696	\$2,000
2024	\$10,536	25%	\$2,634	\$2,000
2025	\$10,276	25%	\$2,569	\$2,000
2026	\$10,004	25%	\$2,501	\$2,000
2027	\$9,717	25%	\$2,429	\$2,000
2028	\$9,416	25%	\$2,354	\$2,000
2029	\$9,100	25%	\$2,275	\$2,000
2030	\$8,767	25%	\$2,193	\$2,000
2031	\$8,417	25%	\$2,104	\$2,000
2032	\$8,050	25%	\$2,012	\$2,000
2033	\$7,663	25%	\$1,916	\$1,916
2034	\$7,257	25%	\$1,814	\$1,814
2035	\$6,830	25%	\$1,707	\$1,707
2036	\$6,381	25%	\$1,595	\$1,595
2037	\$5,909	25%	\$1,477	\$1,477
2038	\$5,413	25%	\$1,353	\$1,353
2039	\$4,892	25%	\$1,223	\$1,223
2040	\$4,344	25%	\$1,086	\$1,086
2041	\$3,768	25%	\$942	\$942
2042	\$3,162	25%	\$791	\$791
2043	\$2,526	25%	\$631	\$631
2044	\$1,857	25%	\$464	\$464
2045	\$1,153	25%	\$288	\$288
2046	\$414	25%	\$104	\$104
	\$225,876			\$47,392

- Using an MCC has the potential of saving a homeowner thousands over the life of their mortgage loan.

MCC PROGRAM OUTLINE AND PARTICIPANT REQUIREMENTS

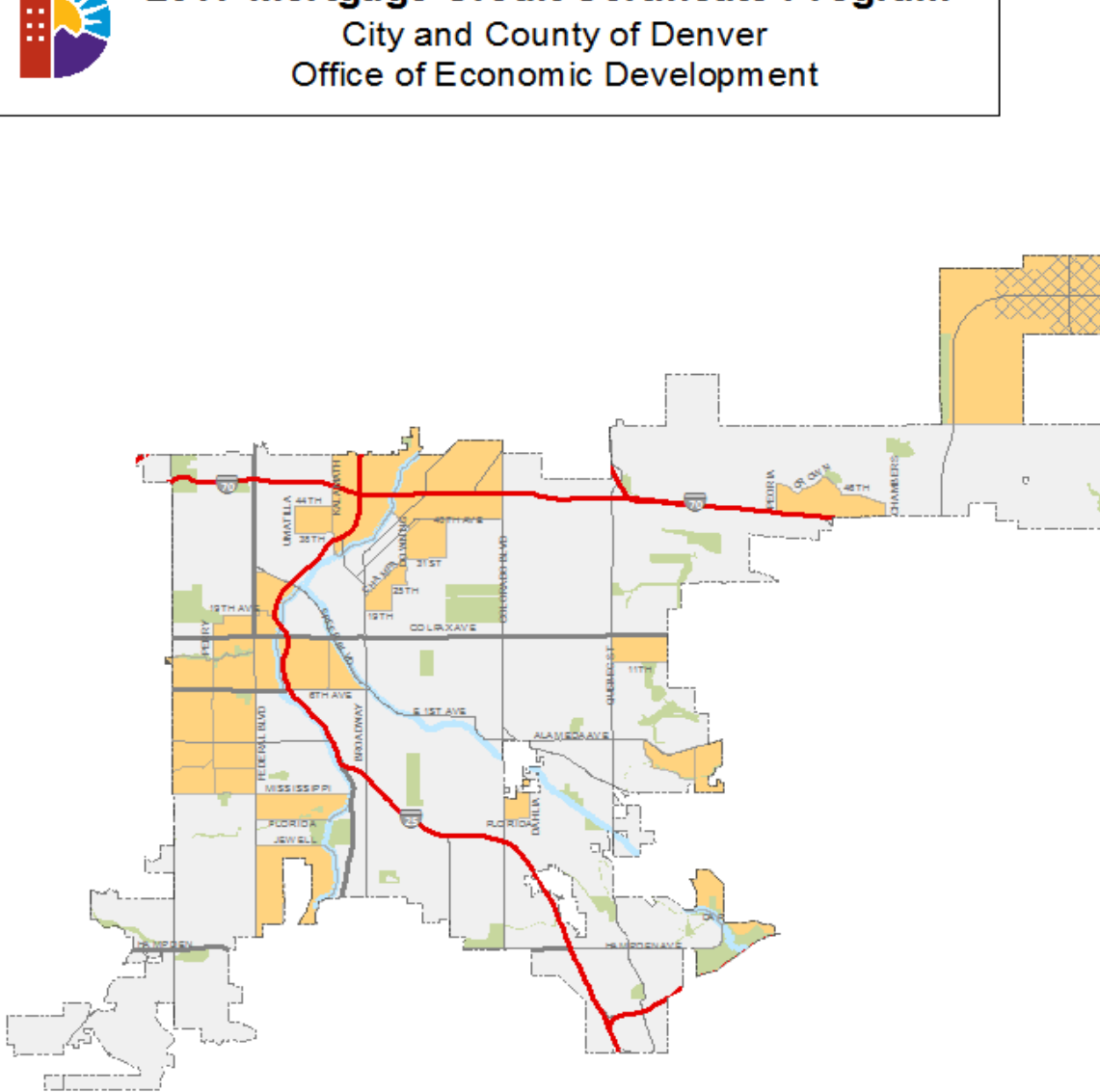
- **Term:** The program will run from May 17, 2017 to December 31, 2019
- **1st Time Homebuyer and Primary Home:** It must be the Mortgagor's primary home and they must be either first-time homebuyers or may not have owned a home in the past three years (**except in "Targeted Areas"** and for Qualified Veterans - see Targeted and Non-Target areas on the next slide)
- **Terms, loan type and interest rate:** FHA, VA, & Conventional loans, mortgage rate must be fixed and not exceed 40 years. There is a \$75 application fee and 0.15% of the mortgage amount for the MCC Issuance Fee to paid by the Borrower (\$363 on a \$242K loan).
- **Homebuyer education** required from HUD approved agencies
- **To Help Qualify:** The credit may be used towards qualifying the borrower's income on their mortgage application with a participating mortgage lender
- **W-4 Adjustment:** The Homebuyer may adjust their W-4 to reflect the anticipated tax-credit – providing a higher monthly net income

	Non-Targeted Area	Targeted Area
<u>Eligible Area:</u>	Entire City and County of Denver	Designated Census Tracts in City and County of Denver
<u>Eligible Participants:</u>	First-time homebuyers	First-time & Non first-time homebuyers
<u>Maximum Household Income:</u>		
Household size of 2 or less	\$96,120	\$96,120
Household size of 3 or more	\$112,140	\$112,140
<u>Maximum Home Cost:</u>	\$432,650	\$528,795



2017 Mortgage Credit Certificate Program

City and County of Denver
Office of Economic Development



Program Description

The 2017 Denver MCC program allows qualifying borrowers to receive an annual federal income tax credit = 25% of the annual interest they pay on their mortgage loan.

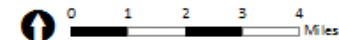
First-time Homebuyers

Cannot have owned a home in the past three years (except in "Targeted Areas"). Targeted Areas are census tracts designated by HUD as underserved in mortgage loan origination.

Eligible Areas:	Non-Targeted	Targeted
	Entire City & County of Denver	Designated Census Tracts
Eligible Users:	First-time homebuyers	Non first-time homebuyers
Maximum Household Income*	Non-Targeted	Targeted
Household size of 2 or less	\$96,120	\$96,120
Household size of 3 or more	\$112,140	\$112,140
Maximum Home Cost*	Non-Targeted	Targeted
1-unit home	\$432,650.70	\$528,795.30
2-unit home	\$432,650.70	\$528,795.30
*subject to change		

- City & County of Denver
- Targeted Areas
- Parks
- DEN Airport Property

Map Date: January 2017. Map Created By: Denver Office of Economic Development. Data Sources: DenverGIS, HUD, City and County of Denver.

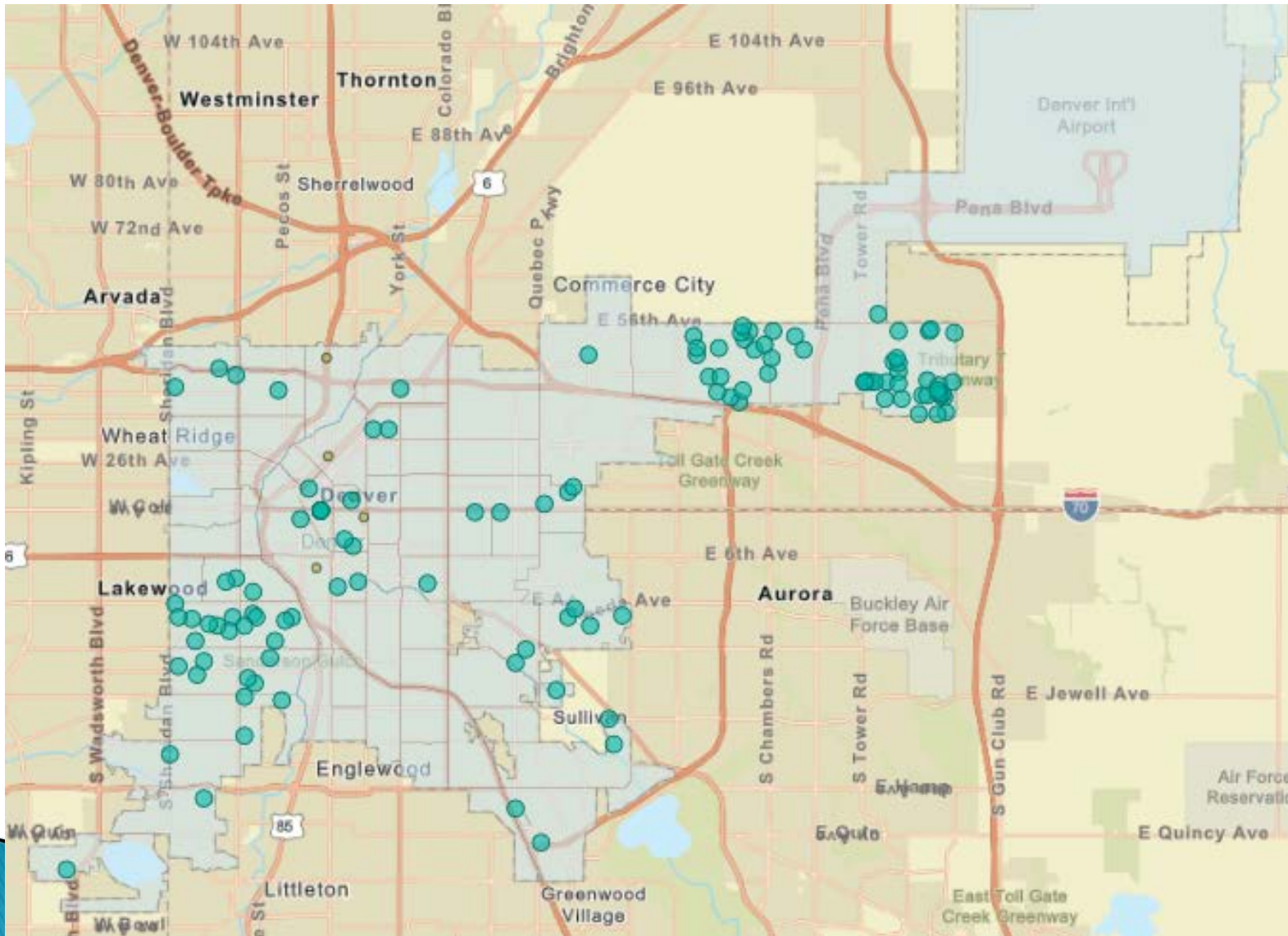


2016 & 2015 MCC PROGRAM RESULTS

- ▶ **2016 Mortgage Credit Certificate Program (through 3/31/17):**
 - Originated \$33.5 million out of \$40 million of available program funds.
 - Expect to fully originate all \$40 million by June 2017.
 - 124 homebuyers have benefited from the 2016 Program.
 - The average participant income was \$55,072.
 - The average home purchase price was \$252,215
 - 2016 MCC Program will expire officially on December 31, 2018.

- ▶ **2015 Mortgage Credit Certificate Program, ended May 2016:**
 - Fully originated \$37.5 million of available program funds.
 - 165 homebuyers families used the 2015 MCC Program.
 - The average participant income was \$53,662.
 - The average home purchase price was \$233,590

2016 MCC PROGRAM RESULTS



HOW DOES HOMEBUYER USE THE MCC?

- A homebuyer claims the tax-credit on their annual tax return using IRS Form 8396.
 - As long as the home is the primary residence of the homebuyer, the tax-credit can be claimed for the life of the mortgage loan as long as the homebuyer has the federal income tax liability to benefit from the annual tax-credit in any given year.
-

Down Payment Assistance Program

Metro Mortgage Assistance Plus Program (MMA+): Companion Program to MCC

- City provides 4% down payment assistance grant in exchange for a slightly higher interest rate.
- Same maximum income limits and same homebuyer education requirements from HUD approved agency.
- No maximum purchase price, no first time homebuyer requirement, there are minimum credit score requirements, home purchase can be located in Metro Mayor Caucus area.

COMBINING MCC AND DPA PROGRAMS

Comparison of 1st Year Housing Costs Utilizing the City's MCC and DPA Programs:

- \$251,000 Purchase Price
- 3.5% Down Payment Requirement
- 30 Year Mortgage
- 28% Tax Rate
- Tax Liability Allows Homebuyer to Take Full Interest Deduction and Full Mortgage Credits
- Homebuyer Itemizes Deductions

Housing Cost Comparison After 1st Year*				
Housing Cost Type:	Using City Programs		Not Using City Programs	
	Applicable %	\$ Amount Equivalent	Applicable %	\$ Amount Equivalent
Down Payment	3.5%	\$8,785	3.5%	\$8,785
Estimated Closing Costs	1%	\$2,422	1%	\$2,422
MMA+ Down Payment Assistance	4%	(\$9,689)	0%	\$0
1st Year of Mortgage Payments (Principal and Interest)	@ 5.00% Interest Rate	\$15,603	@ 4.50% Interest Rate	\$14,727
Mortgage Credits	25% of Interest Paid up to \$2,000 Limit	(\$2,000)	25% of Interest Paid up to \$2,000 Limit	\$0
Value of Mortgage Interest Tax Deduction	Tax Rate Multiplied by Deductible Mortgage Interest	(\$2,808)	Tax Rate Multiplied by Deductible Mortgage Interest	(\$3,030)
Total 1st Year of Housing Costs		\$12,313		\$22,905

* All else equal

1st Year of Housing Cost Savings from Utilizing the MCC and MMA+ Program:

\$10,591

COMBINING MCC AND DPA PROGRAMS

Housing Cost Savings Utilizing the City's MCC and DPA Programs:

Comparison of Housing Costs				
Year	Year #	Using City Programs- Total Housing Costs	Not Using City Programs- Total Housing Costs	Total Housing Cost Savings by Using City Programs
2017	1	\$12,313	\$22,905	\$10,591
2018	2	\$10,846	\$11,748	\$902
2019	3	\$10,900	\$11,801	\$901
2020	4	\$10,956	\$11,856	\$899
2021	5	\$11,016	\$11,913	\$897
2022	6	\$11,078	\$11,973	\$895
2023	7	\$11,144	\$12,036	\$892
2024	8	\$11,213	\$12,102	\$889
2025	9	\$11,286	\$12,171	\$885
2026	10	\$11,362	\$12,243	\$881
Total		\$112,115	\$130,746	\$18,631


Potential for \$18,631 in housing cost savings in the first ten years of the loan.

Marketing Efforts

- Post card flyers
- Partnering with Financial Empowerment Centers
- Employee bulletin board postings
- Blast emails to industry groups
- Contacted recent program participants for testimonials

Programas para propietarios de viviendas en Denver

Ver si usted sea elegible para subsidios para el enganche o reembolsos de impuestos



Subsidios para el enganche

Qué es

El programa es un programa de subsidios para el enganche de la casa para propietarios de viviendas.

Cómo funciona

Si usted solicita un préstamo hipotecario y el Condado de Denver cubre los costos de cierre, no se puede cobrar.

Cómo calificar


Para calificar para un préstamo hipotecario (para hasta 4 personas). Además, debe superar ciertos requisitos, como un puntaje de crédito de al menos 640.

Contacte a un prestamista participante para más información.

Para más información, visite www.denvergov.org/housing.

Denver Resident Home Ownership Programs:

See if you're eligible for down payment grants or mortgage tax credits



Down Payment Grants

What it is

The **Metro Mortgage Assistance Plus Program** is a special grant program for low and moderate income individuals and families that seek to bring the dream of home ownership within reach.

How it works

As you apply for a 30-year fixed rate mortgage, the City and County of Denver can help with down payment and closing cost assistance of up to 4% of your loan. This program cannot be added to existing loans.

How to qualify

To qualify, borrowers must meet standard loan guidelines, have an income less than \$96,120 for households of two or fewer people and less than \$112,140 for three or more, must meet a maximum debt to income ratio, and have a credit score of at least 640.

Contact a participating lender to tell them that you're interested in the Metro Mortgage Assistance Plus Program.

To learn more about the requirements of this program and to find participating lenders, visit www.denvergov.org/housing.

Questions?

MCC Program Partners:

- **Issuer** - City and County of Denver



- **Program Administrator** - Raymond James & Associates, Inc.



- **Bond Counsel** – Kutak Rock, LLP



- Berg Hill Greenleaf Ruscitti, LLP



- **Financial Advisor** – Hilltop Securities



- **Local Lenders** - 32 Denver area mortgage lenders in the 2016 MCC Program

Resources

Click on <https://www.denvergov.org/housing>, navigate to “Ready to Buy or Sell” and find a participating lender.

Tell your lender you are interested in Denver’s “Mortgage Credit Certificate” and “Metro Mortgage Assistance Plus” Programs.

Resources

Office of Economic Development

[Build Your Business](#) [Jobs & Employers](#) [Choose Denver](#) [Do Business with Denver](#) [Housing Opportunities](#) [Newsroom](#) [Contact Us](#)

Denver Office of Economic Development / [Housing Opportunities](#)

Safe, Affordable, Livable Places

Denver's legendary quality of life is not an accidental fact of nature. It must be continuously created and sustained for all who live here, with strong, diverse neighborhoods and housing that together ensures the promise of economic mobility. The City is committed to the preservation, rehabilitation and creation of affordable housing. OED partners with public, private and nonprofit organizations to ensure that safe, livable housing options exist for those with low and moderate incomes, people with special needs, and the low-income elderly. Strategic investments in a range of neighborhood projects reflect our focus on underserved and distressed areas.



[About Affordable Housing](#)



[For Developers](#)



[Ready to Buy or Sell?](#)



[Investing in Neighborhoods](#)



[Housing Forms](#)



[Help for Renters](#)

Housing Denver

The City's Strategic Plan for Affordable Housing, 2015-19:

[View the Plan Now »](#)

[More Resources](#)

[Housing Summit](#)

Click "Read to Buy or Sell?" icon.

3x5 Housing Initiative

We're right on track toward successfully completing Mayor Hancock's "3x5 Challenge" of creating, rehabilitating, and preserving at least 3,000 affordable housing units in Denver over five years. [Learn more.](#)

2015 Annual Report on Housing

A detailed update on the city's progress on affordable housing is available [here](#).

Inclusionary Housing Ordinance (IHO)

An interim report on Denver's Inclusionary Housing Ordinance is available [here](#).

Resources



Neighborhood Business Visiting Government Online Services A to Z

Search

Office of Economic Development

Build Your Business Jobs & Employers Choose Denver Do Business with Denver Housing Opportunities Newsroom Contact Us

programs that help a broad spectrum of homebuyers!



Metro Mortgage Assistance Plus

The Metro Mortgage Assistance Plus Program is a special grant program for low and moderate income individuals and families that seeks to bring the dream of home ownership within reach. We know that lacking the funds for a down payment is often a barrier to home ownership. As you apply for a 30-year fixed rate mortgage, we help with down payment and closing cost assistance of up to 4% of your loan!

Qualifications and Guidelines

Homebuyer Counseling

Property Types and Locations

Participating Mortgage Lenders

More Information

Click "+" drop downs for more information



Mortgage Credit Certificate Program

About the Program

Program Period

Requirements and Eligibility Information

Homebuyer Counseling

Click "+" drop downs for more information