

# CITY AND COUNTY OF DENVER 2012 MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM

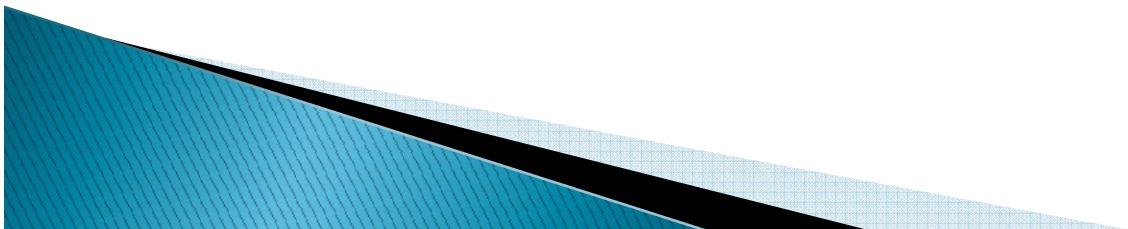


**DENVER**  
THE MILE HIGH CITY

February 29, 2012

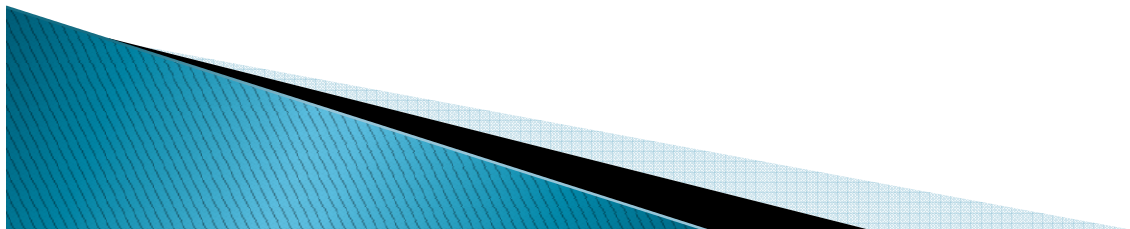
# PRESENTATION HIGHLIGHTS

- ▶ Program Financing Team
- ▶ What is a Mortgage Credit Certificate (MCC)?
- ▶ Proposed 2012 City and County of Denver MCC Program



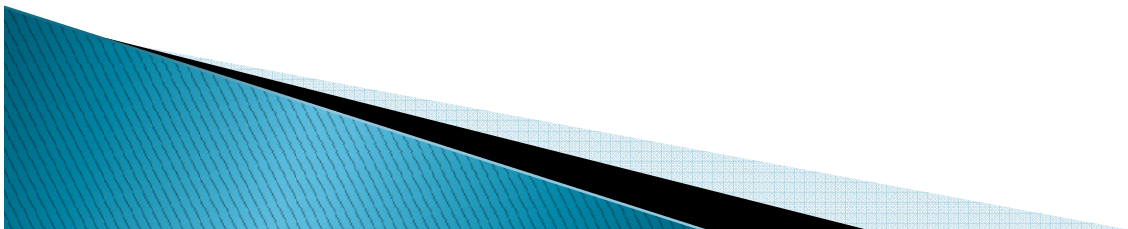
# PROGRAM FINANCING TEAM

Issuer	<i>City and County of Denver</i>
Bond Counsel	<i>Kutak Rock LLP</i>
Financial Advisor	<i>First Southwest Company</i>
Program Marketer/ Administrator	<i>Morgan Keegan &amp; Company, Inc.</i>



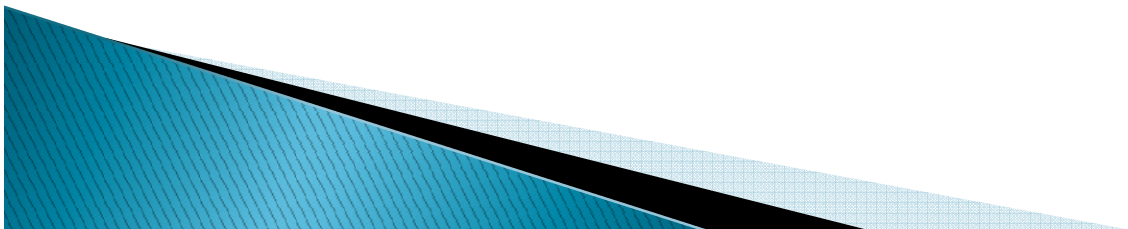
# WHAT IS A MORTGAGE CREDIT CERTIFICATE (MCC)?

- ▶ The Mortgage Credit Certificate (MCC) Program was created to assist qualified homebuyers to purchase their first home by providing an annual tax credit.
- ▶ An MCC reduces the amount of federal income tax a homeowner pays.
- ▶ The qualified homebuyer must have tax liability to benefit from the annual credit in any given year.



## Results of Utilizing a MCC

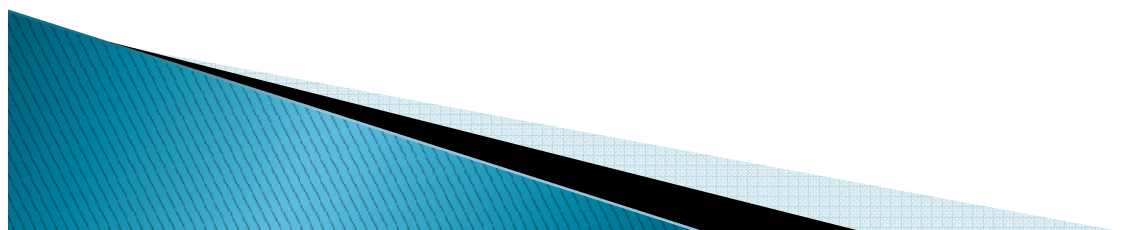
- ▶ Results in an annual reduction in the homebuyer's federal income tax liability.
- ▶ Increases a homebuyer's net earnings for the purpose of qualifying for a mortgage.
- ▶ Reduces the amount of home mortgage interest that may be taken as an itemized deduction on the homeowner's tax return.
- ▶ Has the potential of saving a homebuyer thousands of dollars over the life of their mortgage loan.



## EXAMPLE OF MCC CALCULATION

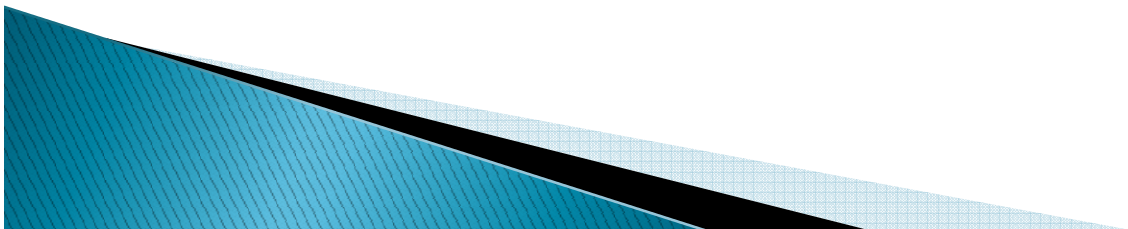
Home Loan Amount ( <i>2009 Denver MCC Program Average</i> )	\$167,000
Annual Interest Rate ( <i>30-year, fixed</i> )	4.00%
Approx. Total Mortgage Interest Paid ( <i>Year One</i> )	\$6,505.86
Mortgage Credit Certificate Rate	30%
Annual MCC Amount ( <i>Line 3 x Line 4</i> ) ( <i>Subject to \$2,000/year max</i> )	\$1,951.76
Monthly Credit Amount ( <i>\$1951.76 / 12</i> )	\$163.00

Remaining itemized Mortgage Interest Deduction:  
 $\$6,505.86 - \$1,951.76 = \$4,554.10$



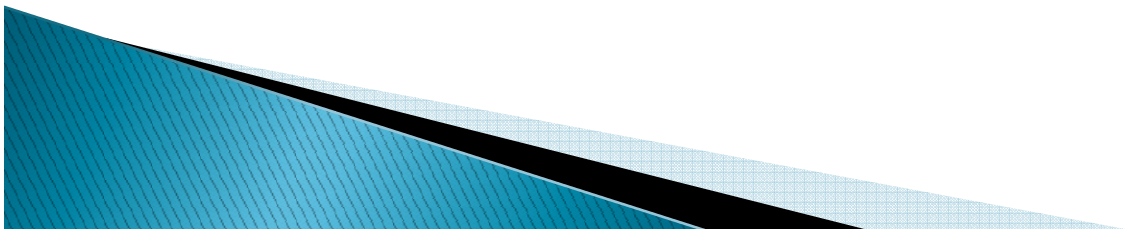
# HOW A HOMEBUYER USES THE MCC

- ▶ A homebuyer claims the tax-credit on their annual tax return using IRS Form 8396.
- ▶ As long as the home is the principal 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.
- ▶ The tax-credit may be used by a lender to assist the homebuyer in qualifying for a mortgage loan.



## HOW A HOMEBUYER USES THE MCC

- ▶ If the amount of the tax-credit exceeds a homebuyer's tax liability in a given year, after accounting for other tax-credits, the unused portion of the tax-credit can be carried forward for the next three tax years or until used, whichever comes first.
- ▶ Homebuyers are encouraged to contact their tax advisor or employer to help them with the necessary tax forms and, if they so choose, to properly adjust their tax withholding. Homebuyers may, if they choose, adjust their W-4 to reflect the anticipated tax-credit – providing a higher monthly net income.
- ▶ Eligible loans include FHA, VA, RHS, and Conventional Loans – 40-year maximum term, fixed-rate.





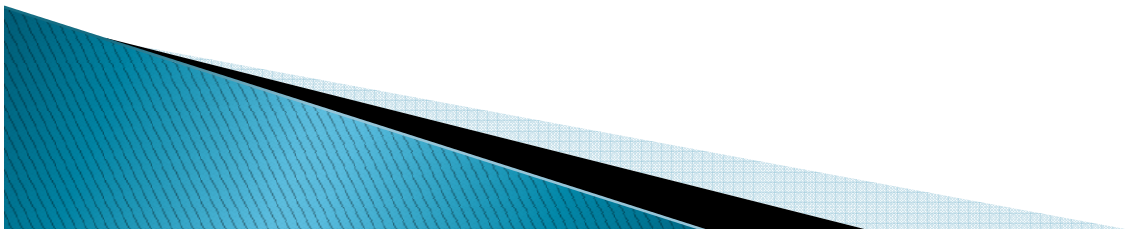
# VALUE OF MCC TO HOMEBUYER

Variables & Borrower Benefit Summary	
Loan Principal Amount	\$167,000.00
Mortgage Rate	4.00%
Loan Period in Years	30
Base Year of Loan	2012
Interest Paid 2012	\$6,505.86
MCC Rate	30%
Allowable Tax Credit 2012	\$1,951.76
Potential 30 Year Benefit	\$34,018.30

Mortgage Credit Certificate Schedule						
Year	Interest	MCC Rate	Gross Tax Credit	Carry-Forward	3 Year Accumulation	Allowable Tax Credit
2013	\$6,505.86	30%	\$1,951.76	\$0.00	\$0.00	\$1,951.76
2014	\$6,381.93	30%	\$1,914.58	\$0.00	\$0.00	\$1,914.58
2015	\$6,252.15	30%	\$1,875.64	\$0.00	\$0.00	\$1,875.64
2016	\$6,117.08	30%	\$1,835.12	\$0.00	\$0.00	\$1,835.12
2017	\$5,976.51	30%	\$1,792.95	\$0.00	\$0.00	\$1,792.95
2018	\$5,830.21	30%	\$1,749.06	\$0.00	\$0.00	\$1,749.06
2019	\$5,677.96	30%	\$1,703.39	\$0.00	\$0.00	\$1,703.39
2020	\$5,519.50	30%	\$1,655.85	\$0.00	\$0.00	\$1,655.85
2021	\$5,354.58	30%	\$1,606.37	\$0.00	\$0.00	\$1,606.37
2022	\$5,182.94	30%	\$1,554.88	\$0.00	\$0.00	\$1,554.88
2023	\$5,004.32	30%	\$1,501.29	\$0.00	\$0.00	\$1,501.29
2024	\$4,818.41	30%	\$1,445.52	\$0.00	\$0.00	\$1,445.52
2025	\$4,624.93	30%	\$1,387.48	\$0.00	\$0.00	\$1,387.48
2026	\$4,423.57	30%	\$1,327.07	\$0.00	\$0.00	\$1,327.07
2027	\$4,214.00	30%	\$1,264.20	\$0.00	\$0.00	\$1,264.20
2028	\$3,995.90	30%	\$1,198.77	\$0.00	\$0.00	\$1,198.77
2029	\$3,768.91	30%	\$1,130.67	\$0.00	\$0.00	\$1,130.67
2030	\$3,532.67	30%	\$1,059.80	\$0.00	\$0.00	\$1,059.80
2031	\$3,286.81	30%	\$986.04	\$0.00	\$0.00	\$986.04
2032	\$3,030.93	30%	\$909.28	\$0.00	\$0.00	\$909.28
2033	\$2,764.62	30%	\$829.39	\$0.00	\$0.00	\$829.39
2034	\$2,487.47	30%	\$746.24	\$0.00	\$0.00	\$746.24
2035	\$2,199.02	30%	\$659.71	\$0.00	\$0.00	\$659.71
2036	\$1,898.83	30%	\$569.65	\$0.00	\$0.00	\$569.65
2037	\$1,586.40	30%	\$475.92	\$0.00	\$0.00	\$475.92
2038	\$1,261.24	30%	\$378.37	\$0.00	\$0.00	\$378.37
2039	\$922.84	30%	\$276.85	\$0.00	\$0.00	\$276.85
2040	\$570.65	30%	\$171.19	\$0.00	\$0.00	\$171.19
2041	\$204.11	30%	\$61.23	\$0.00	\$0.00	\$61.23
Total						\$34,018.30

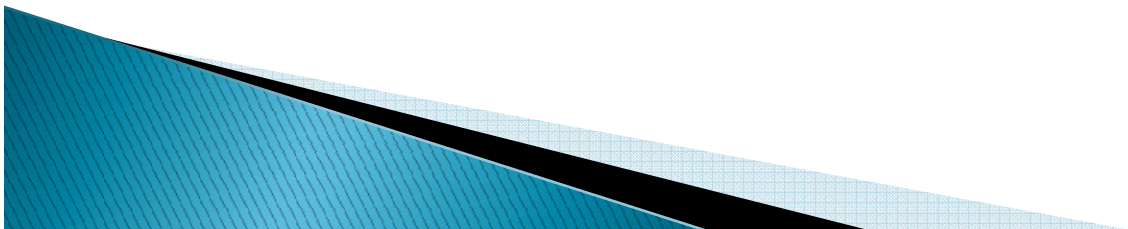
# DENVER 2009 MCC PROGRAM RESULTS

- ▶ The 2009 Mortgage Credit Certificate Program (“MCC Program”) was successful.
  - Deployed \$21.6 Million of \$25 Million Available.
  - 129 First-Time Homebuyers used the MCC Program.
  - The average participant income was \$49,630 compared to a median income for the Denver PMSA of \$78,200, based on 2011 HUD Median Income.
  - The average home purchase price was \$178,474.72 compared to the Denver PMSA of \$271,969.00 based on Metrolist data April 2011.
  - 2009 MCC Program expired on December 31, 2011.
  
- ▶ Our financial advisor, First Southwest Company, has reviewed the City and County of Denver 2009 MCC Program. In their opinion,
  - The 2009 MCC Program usage rate and loan volumes exceeded usage levels of start-up MCC programs with which First Southwest Company is familiar.
  - The utilization of the 2009 MCC Program compares to or exceeds established MCC programs nationally.



# Proposed DENVER 2012 MCC PROGRAM OUTLINE

- ▶ The MCC Program is available on April 2, 2012
- ▶ Will utilize \$30 Million of Private Activity Bond Cap for 2012 MCC Program.
- ▶ Based on usage of \$30 Million of Private Activity Bond Cap and a MCC tax-credit of 30%, the MCC Program will support \$25 Million in mortgage loan origination.
- ▶ Increase MCC tax-credit rate from 25% to 30% as a result of current low mortgage loan rates, resulting in reduced interest paid by homebuyers. The increase in the MCC tax-credit rate will assist homebuyers in receiving maximum tax-credit benefit of \$2,000 during the low interest rate environment. We have the ability to revise the MCC tax-credit rate on a going forward basis during the program in the event of an increase in mortgage loan rates or to serve additional applicants to the MCC Program.
- ▶ Program Parameters:
  - First-time homebuyer requirement (cannot have owned a home in the last three years, except for Qualified Veterans, and for residences in federal target area census tracts).
  - Eligible homebuyers must meet standard loan underwriting guidelines.
  - Maximum income limits are \$91,080 for families of two or fewer, and \$106,260 for families of three or more.
  - Maximum sales price is \$365,635 in non-targeted areas, and \$446,875 in targeted areas.
- ▶ The 2012 Denver MCC Program will end at the earlier of full utilization or December 31, 2014.



# DENVER 2012 MCC PROGRAM FEES

## Borrower Fees:

Borrower Application Fee \$75.00

MCC Issuance Fee 0.15% of the original mortgage amount  
(e.g. \$150 on a \$100,000 loan)

## Mortgage Lender Fees:

Lender Participation Fee \$400.00

*(one-time fee, non-refundable)*

