chfa statewide mortgage credit certificate[sm]

Save money every year you live in your home with CHFA's tax credit program, the CHFA Statewide Mortgage Credit Certificate[sm] (CHFA MCC)! Reduce the amount of federal taxes you owe by claiming 20 percent of your mortgage interest as a tax credit on your tax return.

how it works

- CHFA MCC holders may claim 20 percent of the paid mortgage interest on their first mortgage. The percentage is determined by the first mortgage loan amount.
- The remaining percentage continues to qualify as an itemized tax deduction.
- The CHFA MCC can be combined with some CHFA programs or with any other purchase mortgage.
- The CHFA MCC is in effect every year for the life of the first mortgage loan.

To see an example of how a CHFA MCC works with your tax return, visit www.chfainfo.com/IWantMyMCC and click on the MCC Tax Example link on the right side of the page.

how you qualify

- Have a mid credit score of 620 or higher
- Use the home as your principal/primary residence
- Be a first time homebuyer*, eligible veteran, or non-first time homebuyer purchasing in a targeted area
- Meet income and home purchase price limits
- Take a CHFA homebuyer education class (online or in-person) prior to loan closing

*Have not owned a home as primary residence in the past three years

participating lenders

To start on your road home, contact a CHFA Participating Lender. A list can be found at chfainfo.com/homebuyer. To learn more information about CHFA MCCs, visit chfainfo.com/MCC or contact CHFA Home Finance at 888.320.3688.

CHFA Home Finance

1981 Blake Street
Denver, Colorado 80202

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348 Main Street
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800.877.8450
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EQUAL HOUSING OPPORTUNITY

With respect to its programs, services, activities, and employment practices, Colorado Housing and Finance Authority does not discriminate on the basis of race, color, religion, sex, age, national origin, disability, or any other protected classification under federal, state, or local law. Requests for reasonable accommodation, the provision of auxillary aids, or any complaints alleging violation of this nondiscrimination policy should be directed to the Nondiscrimination Coordinator, 1.800.877.2432, TDD/TTY 303.297.7305, CHFA 1981 Blake Street, Denver CO 80202-1272, available weekdays 8:00am to 5:00pm.

chfa®

financing the places where people live and work

mcc faqs

What is a Mortgage Credit Certificate?

A Mortgage Credit Certificate (MCC) allows the homebuyer to claim a tax credit for a percentage of the mortgage interest paid per year. It is a dollar-for-dollar reduction against their federal tax liability.

Who is eligible to receive an MCC?

- First time homebuyers
- Eligible veterans
- Non-first time homebuyers purchasing in targeted areas
- CHFA–approved homebuyer education required
- Mid credit score of 620
- Must live in the home as a primary residence
- Income and purchase price limits (Targeted areas have different income and purchase price limits and no first time homebuyer requirements. These areas are determined by census tract.)

When does the MCC expire?

The MCC does not expire as long as the home remains your principal residence and you are paying mortgage interest. It will expire only when you sell or no longer use the house as your primary residence. If you do refinance, you may be able to get your MCC reissued. If you sell your home in the first nine years, you may be subject to the Federal Recapture Tax.

How much of a tax credit can be claimed under the MCC program?

The size of the annual tax credit will be a percentage of the annual interest paid on the mortgage loan. The credit cannot be larger than the annual federal income tax liability, after all other credits and deductions have been taken into account. MCC credits in excess of the current year tax liability may, however, be carried forward for use in the subsequent three years.

* Eligible veteran: A person who served in the active military, naval, or air service of the United States, and who was discharged or released therefrom under conditions other than dishonorable, as defined in 38 USC Section 101.

additional details

- $200 lender fee (optional)
- $250 CHFA administrative fee (qualified closing cost) that can be paid at closing **if the MCC is attached to a CHFA First Mortgage Loan**
- $1,000 administrative fee **if the MCC is not attached to a CHFA First Mortgage Loan;** must be paid with certified funds at the time of compliance review
- The borrower could be subject to the Federal Recapture Tax when they sell their home.

recapture tax

Some CHFA mortgage loan programs are funded by tax exempt mortgage revenue bonds. If you use these programs or receive a credit against your federal income taxes through a Mortgage Credit Certificate, you could be subject to the Federal Recapture Tax if and when you sell your home.

The Recapture Tax is part of the federal tax code. It is collected by the Internal Revenue Service and not paid to CHFA. This federal income tax is due for the year in which the home is sold.

CHFA programs subject to tax

The Recapture Tax may apply to the following CHFA programs:

- CHFA FirstStep and CHFA FirstStep Plus
- HomeAccess
- Mortgage Credit Certificate

When the tax applies

The potential for paying a recapture tax applies only when you sell your home. You pay it when you file your tax returns for the year in which you sell your home and pay off your mortgage loan with CHFA.

The Recapture Tax is not activated when you refinance the property; however, refinancing does not cancel the Recapture Tax provision.

All of the following conditions must be in effect to activate the Recapture Tax:

- The home is sold, or disposed of in some other way, within nine years of the original mortgage loan closing date.
- You have a net gain on the sale of the property.
- Your annual adjusted gross income exceeds the federal threshold limit as prescribed by the federal tax code and as stated in CHFA forms 407 and MCC-14. The maximum federal threshold limit increases approximately 5% per year for the first nine years after the mortgage loan closing date, as shown in CHFA forms 407 and MCC-14.

You are more likely to pay a Recapture Tax if you are:

- employed in a high growth income potential position.
- close to the maximum income limit at the time of mortgage loan closing.
- not reporting all your income.
- in a high inflation environment.

Special rules may apply in certain circumstances including divorce, destruction of the property, or if you give away the property.

Exceptions

search

go

View the Recapture Tax brochure

Can I sell my home at any time?

Yes. You may be subject to paying a Recapture Tax if you sell your home within nine years of the original mortgage loan closing date.

Can I refinance my loan without paying the Recapture Tax?

Yes. Refinancing your loan will not activate the Recapture Tax, nor will it cancel the provision should you later sell your home within nine years of the original CHFA mortgage loan closing date.

If I cannot locate my original CHFA form 407 or MCC-14, where can I get another copy?

Request duplicates by calling 1.888.320.3688. If you are requesting hard copies of these forms, please allow two to four weeks for mail delivery.

You will not owe a Recapture Tax if:

- you transfer the home to your spouse or to your former spouse due to a divorce, where no gain is included in your income.
- the home is destroyed by a casualty and you repair or replace it on its original site within two years after the end of the tax year when the destruction happened.
- the home is disposed of as a result of your death

Payment information

The tax is limited to the lesser of one of the following:

- 50% of the net gain on the sale of the property
- 6.25% of the original mortgage loan amount, known as the Federally Subsidized Amount (FSA)

Typically, if you are subject to the Recapture Tax, only a percentage of the FSA is owed. For each year the home is owned, the corresponding percentage of the FSA changes. For example, if you sold your home in the third year, you could potentially owe tax on 60% of the FSA.
Whether you owe a Recapture Tax or not, you must complete IRS form 8828 and file it with your federal tax return for the year the home is sold. This form instructs how to calculate the correct amount due, if any, to the IRS.

Refer to your copy of CHFA form 407 or MCC-14 for the exact dollar amounts of the figures mentioned in this section.

CHFA now offers a Recapture Tax Reimbursement plan. Learn more here.

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chfa preferred℠ and chfa preferred℠ plus

your road home

With CHFA Preferred, you could save money up-front and throughout the life of your loan with a lower down payment requirement and lower monthly mortgage insurance payments than similar programs in the market.

Utilize CHFA's optional Second Mortgage Loan for down payment and/or closing cost assistance.

unique benefits

- Only 3 percent down payment requirement* (similar conventional programs require 5 percent) (may be gift funds)
- An optional Second Mortgage Loan to cover the down payment requirement
- Reduced-cost mortgage insurance
- The possibility to cancel your monthly mortgage insurance payments once you reach 80 percent loan-to-value

qualifications**

- You must have a mid credit score of 620 or higher
- Your total household income and the purchase price must be within the limits
- You must complete a CHFA-approved homebuyer education class prior to loan closing
- You must contribute a minimum of $1,000 toward the purchase of the home

participating lenders

Get started on your road home by contacting one of our CHFA Participating Lenders listed on our website at www.chfainfo.com/homebuyer. Approved lenders can help you determine the availability of the program and current lending terms.

* The term of the loan is 30 years.

** In addition to qualifying for the CHFA program guidelines, you must also qualify according to the first mortgage underwriting and applicable mortgage insurance guidelines as determined by your CHFA Participating Lender.

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