

MCC

Program Guidelines



What is the MCC?	<ul style="list-style-type: none"> • Virginia Housing’s Mortgage Credit Certificate (MCC) is a certificate issued that allows the homebuyer to claim a dollar-for-dollar tax credit during a given tax year. • This credit is applied to the borrower’s annual federal tax liability based on a percentage of the mortgage interest paid.
MCC Credit Rate	10% of mortgage interest paid each year.
Term / Length of Tax Credit	Available for term of loan while property is borrower’s primary residence.
Use of MCC	<p>Borrower must have a federal tax liability to receive benefit of the tax credit.</p> <p>Unused tax credit may be carried forward for up to 3 years.</p> <p>Borrowers should consult a tax advisor regarding potential benefits of MCC.</p>
Re-issuance of MCC	MCC will not be re-issued if loan is refinanced or title is transferred.
Eligible First Mortgages	<ul style="list-style-type: none"> • Virginia Housing Conventional purchase • Virginia Housing Conventional No MI purchase • Virginia Housing FHA • Virginia Housing RHS • Virginia Housing VA • Any Non-Virginia Housing purchase (See fees for non-Virginia Housing loans) <p>(Streamline procedures may be used with Virginia Housing financing.)</p>
Ineligible First Mortgages	All Virginia Housing first mortgages are eligible as long as they are a purchase transaction.
SPARC Eligible	Yes in accordance with SPARC guidelines.
Plus Second Mortgage Eligible	Yes in accordance with Plus Second Mortgage guidelines and the first mortgage is a Virginia Housing FHA, Virginia Housing Conventional, or Virginia Housing Conventional No MI. MCC issued on first mortgage.
DPA Grant Eligible	Yes in accordance with DPA Grant guidelines and the first mortgage is a Virginia Housing FHA, Virginia Housing Conventional, or Virginia Housing Conventional No MI.
CCA Grant Eligible	Yes in accordance with CCA Grant guidelines and the first mortgage is a Virginia Housing RHS or Virginia Housing VA.
First-time Homebuyer	<p>Required unless purchasing in a Targeted Area (applies to all borrowers).</p> <p>Borrowers are considered a first-time homebuyer if they have not owned and occupied a primary residence in the last 3 years.</p> <p>Acceptable documentation to evidence first-time homebuyer:</p> <ul style="list-style-type: none"> • The fully executed Programs Disclosure and Borrower Affidavit (Exhibit E) signed by all borrowers; • A completed Uniform Residential Loan Application (URLA); and • The credit report. <p><u>Note:</u> If unable to confirm from the Exhibit E, the URLA, or the credit report all borrowers are a first-time homebuyer, additional documentation may be required, such as:</p> <ul style="list-style-type: none"> • Three years’ federal tax returns / tax transcripts • Rent verification(s) • Other reports such as a Lender Data Integrity Report (Examples: Drive Report, FraudGuard, Loansafe)



Income Limits	Income Limit Type:	Acceptable First Mortgage w/MCC (with or without Plus Second Mortgage)	Acceptable First Mortgage w/MCC & DPA or CCA
		Standard Limits ¹	Lower Limits ¹
	Who to include:	All borrowers	All household members
	What income to Include:	All income of all borrowers ²	All household member income ²
	<p>Click here to see Virginia Housing's Income Limits.</p> <p>¹An LLPA applies to the first mortgage if the first mortgage is Conventional and the borrowers' qualifying income is greater than Fannie Mae / Freddie Mac 80% AMI limits if Charter (reduced) MI is used. Must also be within Virginia Housing's standard limit. This LLPA does not apply to any other programs (including Conventional No MI).</p> <p>²See Origination Guide for more information on how to calculate household income, what income types must be included, and what may be excluded. See below for details on where income must be stated on the Programs Disclosure and Borrower Affidavit.</p>		
Sales Price / Acquisition Cost Limits	<p>Refer to Virginia Housing Sales Price / Loan Limits. The limit is the highest of the gross loan amount(s), sales price, and acquisition cost. See Origination Guide for more information on how to determine acquisition cost.</p> <ul style="list-style-type: none"> Virginia Housing Sales Price / Loan Limits apply even when the FHA maximum loan amount limits are higher. The gross loan amount of the first mortgage (including financed up front mortgage insurance premium, when applicable) and second mortgage combined (plus any additional subordinate loans), if applicable, cannot exceed the Virginia Housing Sales Price / Loan Limits. 		
Maximum Loan Amount	<p>Follow first mortgage loan programs maximum loan amount requirements except:</p> <ul style="list-style-type: none"> Virginia Housing Sales Price / Loan Limits apply even when the first mortgage's maximum loan amount limits are higher. 		
Eligible Purpose	Primary residence purchase (no refinances).		
MCC Homebuyer Application and Fact Sheet (Click here)	<p>Required.</p> <p>Must be executed by all borrowers. The Originating Lender's underwriter must execute or list his or her name and email.</p>		
Programs Disclosure and Borrower Affidavit (Exhibit E)	<p>Required.</p> <ul style="list-style-type: none"> Income from all borrowers must be included on page 4 of the Exhibit E. If originated with DPA Grant or CCA Grant then income from all household members must be included on page 4. 		
Seller Affidavit (Exhibit F)	Required.		
Originating Lender's Submission Cover Letter (Exhibit O)	Required.		
Originating Lender's Post-Closing Cover Letter (Exhibit P)	Required.		
Recapture	Loan is subject to recapture.		

<p>Homebuyer Education</p>	<p>Virginia Housing loans with an MCC:</p> <ul style="list-style-type: none"> • Required for all first-time homebuyers. • Complete Virginia Housing course, HUD Approved Counseling Agency course, Fannie Mae Framework, or Freddie Mac CreditSmart course prior to approval (Fannie Mae loans will accept Freddie Mac's CreditSmart course and Freddie Mac loans will accept Fannie Mae's Framework course). Fannie Mae's Homeview course is not acceptable. • Homebuyer Education Certificate is valid for 2 years. <p>Non-Virginia Housing loans with an MCC: Not required.</p>
<p>Tax Transcripts</p>	<p>Follow first mortgage requirements.</p>
<p>Business Use of Home</p>	<p>No more than 15% of the financed dwelling may be used primarily in a trade or business. The borrowers must fully execute the Business Use of Home Certification if the borrower has disclosed that a part of the current residence is being used primarily for a trade or business or if there is any other evidence in the file, such as:</p> <ul style="list-style-type: none"> • The employment business address is the same as the borrower's current residence address and/or the borrower has marked yes for mixed-use property on the URLA, or • Federal tax returns are provided and show the "business in home" deduction was taken (Typically this shows on Schedule C, line 30). <p>The Business Use of Home Certification certifies that not more than 15% of the total living area of the subject property will be used primarily in a trade or business. If greater than 15% will be used in the subject dwelling then the borrower is not eligible.</p>
<p>Maximum Net Worth</p>	<p>Cannot exceed 50% of sales price (See Origination Guide for more information). Net Worth requirement applies to all loans with an MCC except non-Virginia Housing.</p>
<p>Minimum Credit Score</p>	<p>Follow first mortgage requirements.</p>
<p>Maximum DTI</p>	<p>Follow first mortgage requirements.</p>
<p>Qualifying with MCC</p>	<p>Virginia Housing allows adjustments to income for qualifying in accordance with the applicable GSE / insurer / guarantor requirements.</p>
<p>Non-Occupant Co-Borrowers</p>	<p>Not allowed.</p>
<p>Foreclosures / Deed in Lieu / Short Sales</p>	<p>Follow first mortgage requirements.</p>
<p>Property</p>	<p>Property must be located in Virginia and must meet first mortgage requirements. Appraisal waivers are not permitted.</p> <p>Acreage:</p> <ul style="list-style-type: none"> • The maximum lot size is 2 acres. • Exceptions are considered > 2 up to 5 acres. The Lender's underwriter must review and render a decision on the acreage exception. See the Origination Guide for additional requirements and criteria. • No exceptions are allowed greater than 5 acres when a loan is originated with an MCC.
<p>Unfinished Area</p>	<p>The cost to complete unfinished areas that are suitable to finish in the property must be included in the acquisition cost on the Exhibit E and Exhibit F (Examples: Unfinished basement, lower level of a tri-level, etc.). See the Origination Guide for more information.</p>
<p>Post-Closing Repairs</p>	<p>Follow first mortgage requirements.</p>

<p>MCC Lender Fee</p>	<p>Lenders may charge up to \$250 as an MCC Lender Processing Fee (fees must be disclosed). Lenders participating in the MCC Lender Incentive may not charge this fee on any loan (see below).</p>
<p>MCC Lender Incentive</p>	<p>Virginia Housing has an incentive program to help offset any expenses incurred by the MCC program. Lenders are highly encouraged to participate in the MCC Incentive Program, however to be eligible they must not charge any MCC processing fees on any loans.</p> <p>The incentive is only eligible on MCCs originated with Virginia Housing loans. Contact Virginia Housing for more information about the MCC Lender Incentive.</p>
<p>MCC Virginia Housing Administration Fee (Non-Virginia Housing Loans Only)</p>	<p>\$750 MCC Administration Fee required to be paid to Virginia Housing (this fee will be waived if the MCC is issued in conjunction with a Virginia Housing loan). Lender must deliver fee to:</p> <p>Virginia Housing Attn: MCC Department 601 S. Belvidere Street Richmond, VA 23220</p>
<p>Submission for MCC Commitment (Pre-Closing) – Virginia Housing Loans</p>	<p>Delegated Loans:</p> <ul style="list-style-type: none"> • Confirm the MCC box in Mortgage Cadence is checked. • After delegated submission through Virginia Housing's LOS (Mortgage Cadence), Underwriter uploads the MCC Homebuyer Application and Fact Sheet (signed by the borrower(s) and underwriter). • Virginia Housing will process the request and send notification to the lender via email that the MCC Commitment is available in Mortgage Cadence. <p>Non-Delegated Loans:</p> <ul style="list-style-type: none"> • Confirm the MCC box in Mortgage Cadence is checked. • Underwriter uploads the MCC Homebuyer Application and Fact Sheet (signed by borrower(s) and the underwriter) separately from all other documents required for submission to Virginia Housing Underwriting (See the Virginia Housing Underwriting Submission Checklist) into Mortgage Cadence. • Virginia Housing will process the request after the loan is reviewed by Virginia Housing Underwriting and found to be acceptable. Notification will be sent to the lender via email that the MCC Commitment is available in Mortgage Cadence. <p>*Do not upload MCC documents to the MCC EDT Portal on Virginia Housing loans.</p>
<p>Submission for MCC Commitment (Pre-Closing) – Non-Virginia Housing Loans</p>	<p>Upload required documents (see below) to MCC EDT Portal.</p> <p>Required Documents:</p> <ul style="list-style-type: none"> • MCC Homebuyer Application and Fact Sheet • Programs Disclosure and Borrower Affidavit (Exhibit E) • Seller Affidavit and Acknowledgment (Exhibit F) • Originating Lender's Submission Cover Letter (Exhibit O) • Loan Application (URLA) used to underwrite • Credit Report • Lender Data Verification Report (If available; Examples: Drive Report, FraudGuard, Loansafe) • Income Documentation used to calculate maximum household income • Divorce Decree / Separation Agreement (if applicable) • Sales Contract • Appraisal (Appraisal waivers not allowed)

****MCC Program Suspension: April 28, 2023 is the last day to lock a loan with an MCC****

Submission for MCC Issuance (Post-Closing) – Virginia Housing Loans	Include the Originating Lender’s Post Closing Cover Letter (Exhibit P) and signed Recapture Notice as well as all other documents required for submission to Virginia Housing after the loan has closed (See the Loan Stacking Form).
Submission for MCC Issuance (Post-Closing) – Non-Virginia Housing Loans	Upload remaining required documents (see below) to MCC EDT Portal. Required Documents: <ul style="list-style-type: none">• Closing Disclosure• Note• Transfer Deed or Deed of Bargain and Sale• Final Loan Application (URLA)• Originating Lender’s Post Closing Cover Letter (Exhibit P)• Signed Recapture Notice Also include the MCC Administration Fee for \$750 to Virginia Housing.

Important: Refer to the [MCC Program Guide](#) for all program guidelines and procedures.

The information contained herein (including but not limited to any description of Virginia Housing and its lending programs and products, eligibility criteria, interest rates, fees and all other loan terms) is subject to change without notice.

