



Mortgage Credit Certificate Program Homebuyer Fact Sheet

PHFA borrowers may be able to receive a Mortgage Credit Certificate (MCC) in conjunction with their home purchase loan, in addition to any closing cost assistance for which they may qualify.

MCC provides a limited tax credit as an offset against ordinary income, permitting qualified homeowners to reduce—on a dollar for dollar basis—their federal income tax liability.

The MCC is a potential annual credit for the life of the original mortgage as long as the home remains owned and occupied by the homeowner as their principal residence. The homeowner can claim a credit equal to the credit rate up to 50 percent multiplied by the interest they paid on their first mortgage during the respective tax year, not to exceed \$2,000 in any given year. The credit rate of the annual tax credit ranges from 20 to 50 percent of the annual interest you paid on the mortgage loan. The credit rate percentage is based on the original loan amount as listed in the chart to the right.

Example:

$$\begin{array}{r}
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 \text{X} \quad \quad \quad \mathbf{\$110,000 \text{ (mortgage amount)}} \\
 \quad \quad \quad \mathbf{4 \% \text{ (mortgage interest rate)}} \\
 \text{x} \quad \quad \quad \mathbf{40 \% \text{ (MCC credit rate)}} \\
 \hline
 = \quad \quad \quad \mathbf{\$1,760}
 \end{array}$$

Loan Amount	Credit Rate
Up to \$100,000	50%
\$100,001-\$150,000	40%
\$150,001-\$200,000	30%
\$200,001+	20%

The borrower would be able to claim \$1,760 against his/her federal tax liability, and \$2,640 as a mortgage interest deduction.

The credit cannot exceed the amount of federal tax owed after all other credits and deductions have been taken. The \$2,000 limit does not apply to the credit rate of 20%. To claim the credit, the homeowner completes and submits IRS Form 8396 along with their federal tax returns. The homeowner must also continue to occupy the home as their principal residence in order to keep claiming the credit. See <https://www.irs.gov/uac/form-8396-mortgage-interest-credit> for the form and instructions.

If the loan is refinanced the MCC may be reissued upon the homeowner's request. Certain conditions as well as an administrative fee will apply.

For more details and a list of participating lenders, visit www.phfa.org or call 855-827-3466.