

Tax Credit Advance Loan Program

Congress has extended legislation providing a federal tax credit of up to \$8,000 for first-time home buyers purchasing their principle residence between November 6, 2009 and April 30, 2010. This credit is available to single taxpayers with incomes up to \$125,000 and married couples with incomes up to \$225,000. A first-time home buyer is defined as a buyer (and his/her spouse) who has not owned a principal residence during the three-year period prior to the purchase.

The federal tax credit has also been extended to non first-time homebuyers (buyers who have owned and lived in their previous home for five consecutive years out of the last eight years). This tax credit for non first-time homebuyers is equal to 10 percent of the home's purchase price up to a maximum of \$6,500.

For more information on the Federal First-time Homebuyer Tax Credit visit:
<http://www.federalhousingtaxcredit.com/glance.php>

PHFA's Tax Credit Advance Loan Program (TCA) allows PHFA borrowers to apply a portion of their 2009 or 2010 first-time homebuyer tax credit towards the purchase of their home. The program offers an advance in the form of a subordinate loan to those filing for the First-Time Homebuyer Credit ([IRS Form 5405](#)). Due to limited funding, the program will be available to homebuyers on a first-come, first-served basis.

TCA Program Eligibility and Details include:

- TCA is available to eligible buyers getting a PHFA first mortgage and who close on their loans by June 30, 2010 (and entered into a sales contract by April 30, 2010).
- First-time homebuyers are eligible for the lesser of 10% of the purchase price OR \$6,000 for newly constructed homes, \$5,000 for existing homes
- Non first-time homebuyers are eligible for the lesser of 10% of the purchase price OR \$4,000 for newly constructed homes, \$3,000 for existing homes
- For first time homebuyers, all occupants may not have had an ownership interest in their primary residence in the last three years, nor may they have a present interest in any other real estate, except for a business property if the business is that person's primary source of income.
- TCA's minimum loan amount is \$500.
- Through TCA, PHFA will make a zero percent (interest free) loan to the homebuyer at the time of closing.
- These funds must be used towards the minimum downpayment requirement and/or closing costs. Under conventional guidelines, all TCA borrowers must invest a minimum of \$1,000 of their own funds towards the purchase of their first home; this does not apply to FHA, VA or RD loans.
- Homebuyers must fall within the lesser of the Federal First Time Home Buyer Tax Credit income guidelines or PHFA's income and purchase price limits per county.
- TCA borrowers must require maximum financing (a maximum of five percent down) under conventional guidelines. In other words, the TCA can not be used to fund a downpayment of over five percent.
- All PHFA-eligible homes that will be used as a principal residence will qualify for the credit. This includes single-family detached homes, attached homes like townhouses and condominiums, manufactured homes, and two-unit properties (duplexes).

- TCA can be combined with PHFA's Access Modification and Purchase Improvement Programs.
- TCA cannot be combined with PHFA closing cost and downpayment assistance programs (Keystone Assistance Loan, HOMEstead, or Access Downpayment and Closing Cost Assistance Programs).
- The homebuyer is responsible for claiming the Federal Tax Credit when filing federal income taxes for 2009 or 2010 and for using their refund to repay the advance to PHFA.
- TCA is a soft second loan with no interest if it is repaid in full by the following deadlines (regardless of the borrower's tax liability, when the borrower's taxes are filed, or whether the borrower seeks an extension for filing).
- Loans closed in 2009 are due to be paid back to PHFA by June 30, 2010, If the advance is not repaid by June 30, 2010, the loan will immediately begin to amortize over a 10 year period at the same interest rate as the first mortgage. This pertains to both first-time and non first-time homebuyers.
- Loans closed in 2010 are due to be paid back to PHFA by June 30, 2011, If the advance is not repaid by June 30, 2011, the loan will immediately begin to amortize over a 10 year period at the same interest rate as the first mortgage. This pertains to both first time and non first-time homebuyers.
- TCA is funded by a paper check at closing, much like the Homestead program.
- The TCA loan is only applicable on arms-length transactions (where the homebuyer is not receiving favorable treatment because of his/her relationship to the seller).

For more information on the 2009 First-time Homebuyer Tax Credit and the American Recovery and Reinvestment Act of 2009 visit: <http://www.federalhousingtaxcredit.com/glance.php>

Do you have more questions about TCA? Check out our Tax Credit Advance Loan [Frequently Asked Questions](#).