

Commonwealth of Pennsylvania

**PENNSYLVANIA HOUSING FINANCE AGENCY
EIN: 23-1733024**

**Mortgage Credit Certificate Program - 2018
POLICY REPORT UNDER SECTION 103A**

The Pennsylvania Housing Finance Agency (the "Agency") proposes to utilize private activity issuing authority to fund its Mortgage Credit Certificate ("MCC") Program. The Agency exists pursuant to Act 621 of Dec. 3, 1959, P.L. 1688, No. 621, and was created, in part, to further affordable financing opportunities for persons and households of low and moderate income. The Agency has long participated in the origination of mortgages qualified under various federal tax programs. The design and use of the MCC Program is intended to continue and enhance the delivery of quality programs for low and moderate homeowners in the Commonwealth.

This Policy Report outlines the Agency's plans for use of the MCC Program to further its mission and sets forth the required policy statement necessary to comply with federal law.

MCCs are a form of federal income tax credits to eligible homebuyers and are subject to all applicable rules and regulations set forth in governing federal tax law. The MCC Program is consistent with the mission of the Agency because it affords a tax credit to assist low and moderate income homebuyers with the purchase of their homes. This is a statewide program, available to all qualified homeowners in the Commonwealth, including target areas and non-target areas.

MCCs may be available to individuals who meet all of the following requirements:

(1) A MCC will be issued only to an eligible applicant in connection with the purchase of a new or existing single-family residence located in the Commonwealth of Pennsylvania. For purposes of the MCC Program, a single-family residence means structurally sound and functionally adequate housing (as a type generally taxed as real estate) including fixtures, along with the real estate appurtenant thereto reasonably necessary to maintain the residence's habitability. No more than 15% of the residence being purchased can be used in a trade or business in accordance with tax requirements;

(2) The MCC must be applied to a single-family residence that is the applicant's principal residence, which the applicant intends to occupy within sixty (60) days from the loan closing date;

(3) The applicant cannot have held an ownership interest in a principal residence at any time during the 3-year period prior to the date on which the mortgage on the residence in connection with the MCC is provided is executed by the applicant. An exception to this requirement may be available in certain targeted areas of the Commonwealth or to eligible military veterans who have not previously received either an MCC or a loan financed by certain tax-exempt housing bonds;

(4) The purchase price of the single-family residence may not exceed the purchase price limits set from time to time (at least annually), a listing of which may be obtained from the Agency;

(5) Applicants' total household income cannot exceed the applicable limits set from time to time (at least annually), a listing of which may be obtained from the Agency;

(6) The MCC cannot be issued in connection with a mortgage loan that pays off an existing mortgage or land contract (except for certain construction period and temporary loans);

(7) The MCC may not be issued with respect to any residence which is financed from the proceeds of a "qualified mortgage bond" or a "qualified veterans' mortgage bond" as defined in Section 143 of the Internal Revenue Code of 1986, as amended; and

(8) MCCs will be issued only as approved by the Agency in response to applications (which must be completed by an eligible applicant and submitted to the Agency for approval through a mortgage lender).

Homebuyers must be qualified for an MCC pursuant to the applicable federal tax law and all governing regulations which shall control in the event of any conflict with the foregoing description above. The homebuyer must meet credit and underwriting criteria established in connection with the underlying mortgage financing and must sign all documents and affidavits necessary to participate in the MCC program.

The Agency currently intends to use up to \$200,000,000 of its available and unused private activity volume cap to convert into authority to issue MCCs for this Program, effective January 1, 2019. A public hearing was held to discuss the Agency's MCC Program at the offices of the Pennsylvania Housing Finance Agency, 211 North Front Street, Harrisburg, Pennsylvania 17101 on Friday, November 9, 2018, at 10:00 a.m.

Any person interested in obtaining additional information about the MCC Program may contact Coleen Baumert or visit the Agency's website at www.phfa.org.

The Program is available through any lender, but lenders must participate in the Program restrictions and protocols set forth by the Agency. Any mortgage lenders interested in appearing on the participating lenders list or in obtaining additional information regarding the MCC Program should contact Coleen Baumert:

Coleen Baumert, Director of Homeownership Programs
Pennsylvania Housing Finance Agency
P.O. Box 8029
Harrisburg, PA 17105-8029
Phone: 717.780.1871

Notice about the Program has been published in accordance with the requirements of the Internal Revenue Code of 1986, as amended, (i) Treasury Regulation Section 1.25-7T issued thereunder as to providing reasonable public notice of the eligibility requirements for MCCs and the methods by which they are issued, and (ii) Treasury Regulation 1.25-3T(j)(4) issued thereunder regarding maintaining a list of participating lenders.

The Agency reserves the right to update and supplement information regarding this Program and www.phfa.org is the site that has the most updated information.

The Agency is using the MCC Program in conjunction with its HFA Preferred Risk Sharing loan (does not require mortgage insurance on downpayments of less than 20% of the

purchase price), HFA Preferred loan (borrower may put down less than 20% of purchase price) and the Keystone Government Loan (provides first mortgage financing on loans insured by the Federal Housing Administration or guaranteed by Rural Development or the Department of Veterans' Affairs). The MCC Program may also be used with the Keystone Advantage Assistance Loan Program - providing a second mortgage loan to help with the costs associated with the purchase of a home.

The gross annual household income for all adults that intend to occupy the home within one year from loan closing may not exceed that of the Keystone Home Loan Program income limit. Income limits can be found at: <http://www.phfa.org/forms/sellersguide/appendices/a.pdf>.

Additional information is available on www.phfa.org. This Policy Report has been adopted in December 2018 and is available on the website. The program is effective as of January 1, 2019.