



# Home is Possible MCC Program

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# Home Is Possible MCC Program Manual

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*MAKING HOUSING AFFORDABLE ONE NEVADA FAMILY AT A TIME*



# Home Is Possible MCC Program Manual

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## Home Is Possible™ Mortgage Credit Certificate (MCC) Program

The Nevada Housing Division (“NHD”) is offering Mortgage Credit Certificates (“MCC”) to eligible first-time homebuyers, qualified Veterans and purchasers in Targeted Areas pursuant to its Home Is Possible™ MCC Program (the “MCC Program”).

MCCs are nonrefundable, federal tax credits which a homeowner can apply against his or her federal tax liability in each year the MCC is effective. An MCC “converts” a portion of a mortgage loan interest deduction into a credit against the homeowner’s federal income taxes. This dollar-for-dollar federal tax credit is equal to 20% of a homebuyer’s annual mortgage interest on an eligible Category 1 Mortgage Loan and equal to 30% of a homebuyer’s annual mortgage interest with a maximum credit of \$2,000 on an eligible Category 2 Mortgage Loan. Under NHD’s MCC Program, a Category 1 Loan has an Loan Amount of \$225,000 or more and a Category 2 Loan has an Loan Amount under \$225,000. This tax credit has the effect of reducing the mortgage interest rate and mortgage loan payments for eligible homebuyers by reducing the federal income tax liability of such homebuyers.

The MCC Program does not have any debt to income, interest rate, or asset requirements for the homebuyer, other than the lender’s standard underwriting requirements. Homebuyers wanting to qualify for an MCC must obtain loan approval from a lender participating in the MCC Program.

### Example:

- Loan Amount: \$250,000\*
- Interest Rate: 5%
- Mortgage Interest Paid: \$ 12,400\*
- Tax Credit Rate: 20%
- Tax Credit \$2,480\*

\* First year loan numbers. Assuming equal monthly payments amortizing principal and interest over 30 years, the amount of interest paid each year and, correspondingly, the MCC tax credit, will decrease for each subsequent year.

### Why use the Home Is Possible MCC Program?

- Lenders can use the credit as qualifying income to help lower debt-to-income ratios
- Helps homebuyers year after year put more money in their pockets or in the economy
- Can refund thousands of dollars of mortgage interest to homebuyers over the lives of their loans



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**To qualify for the MCC Program the buyer must meet the below requirements:**

Eligible Homebuyer:

- First time homebuyer (Have not owned a primary residence within the previous 3 years); or
- Purchaser of a residence in a Targeted Area; or
- Qualified Veteran

Purchase price does not exceed maximum listed in county of home purchase

Total household income does not exceed the maximum income limits depending on county of home purchase

Satisfy lender's underwriting requirements for a fixed mortgage loan (All loan types are acceptable)

All homebuyers MUST complete a Homebuyer Education Course acceptable to NHD, including:

- Approved HUD counseling agency
- Approved on-line class
- NHD sponsored Homebuyer Seminar

**Maximum Home Purchase Prices Non-Targeted and Targeted Areas (Effective June 1, 2016)**

(see Targeted Areas on page 7 of this manual)

County	NON-TARGETED AREAS	TARGETED AREA
Carson City Municipality	\$270,000	\$330,000
Churchill	\$255,573	\$312,368
Clark	\$271,084	\$331,325
Douglas	\$330,723	\$404,217
Mineral	\$255,573	\$312,368
Storey	\$306,867	\$375,060
Washoe	\$306,867	\$375,060
Elko, Eureka, Nye, Lyon Esmeralda, Humboldt, White Pine Lander, Lincoln, Pershing,	\$255,573	\$312,368

These limits are subject to adjustment at any time without notice.



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## Maximum Income Limits for Targeted and Non-Targeted Areas (Effective June 1, 2016)

(see Targeted Areas on page 7 of this manual)

<b>Carson City Municipality</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$65,600	\$78,720
Families of 3 or more persons	\$75,440	\$91,840
<b>Churchill County</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$63,300	\$75,960
Families of 3 or more persons	\$72,795	\$88,620
<b>Clark County</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$62,243	\$73,200
Families of 3 or more persons	\$71,580	\$85,400
<b>Douglas County</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$76,586	\$84,240
Families of 3 or more persons	\$88,073	\$98,280
<b>Elko County</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$77,200	\$92,640
Families of 3 or more persons	\$88,780	\$108,080
<b>Eureka County</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$73,600	\$88,320
Families of 3 or more persons	\$84,640	\$103,040
<b>Humboldt County</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$76,400	\$91,680
Families of 3 or more persons	\$87,860	\$106,960
<b>Lander County</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$76,900	\$92,280
Families of 3 or more persons	\$88,435	\$107,660

These limits are subject to adjustment at any time without notice.



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## Maximum Income Limits for Targeted and Non-Targeted Areas (Effective June 1, 2016)

(see Targeted Areas on page 7 of this manual)

<b>Lyon and Nye Counties</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$61,000	\$73,200
Families of 3 or more persons	\$70,150	\$85,400
<b>Mineral County</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$62,800	\$75,360
Families of 3 or more persons	\$72,220	\$87,920
<b>Esmeralda and Lincoln</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$61,000	\$73,200
Families of 3 or more persons	\$70,150	\$85,400
<b>Pershing</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$61,000	\$73,200
Families of 3 or more persons	\$70,150	\$85,400
<b>Storey</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$70,769	\$79,920
Families of 3 or more persons	\$81,384	\$93,240
<b>Washoe</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$70,769	\$79,920
Families of 3 or more persons	\$81,384	\$93,240
<b>White Pine</b>	<b>NON-TARGETED AREAS</b>	<b>TARGETED AREAS</b>
Families of 2 or fewer persons	\$65,600	\$78,720
Families of 3 or more persons	\$75,400	\$91,840

These limits are subject to adjustments at any time without notice.



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## Census Tract Numbers of Targeted Areas

<b>CENSUS TRACT# OF TARGETED AREAS IN CLARK COUNTY</b>	
3.01	24.05
3.02	25.06
4.02	29.54
4.02	29.56
5.14	29.96
5.21	34.28
5.22	34.31
5.23	38.00
5.24	40.00
5.28	43.01
6.00	43.02
7.00	46.01
8.00	46.02
11.00	47.07
15.01	47.09
16.12	47.10
22.04	47.12
22.07	47.13
24.03	47.15
24.04	71.00

<b>CENSUS TRACT# OF TARGETED AREAS IN WASHOE COUNTY</b>	
1.02	18.02
2.01	21.02
9.00	22.11
10.08	27.03
17.01	9800

<b>CENSUS TRACT# OF TARGETED AREAS IN MINERAL COUNTY</b>	
9708	



# Home Is Possible MCC Program Manual

## The MCC Calculator

Visit NHD's [HomelsPossibleNV.org/MCC](http://HomelsPossibleNV.org/MCC) for an input calculator to calculate the benefit of the MCC. The website also contains a digital copy of the MCC Program brochure and current list of participating lenders.

### HOME IS POSSIBLE - MCC PROGRAM ESTIMATED COSTS AND TAX SAVINGS

#### EXAMPLE

Enter loan amount here: \$ 250,000  
Enter your loan interest rate: 4.5%

Program Fee Paid to NHD	\$	795
Lender Application Fee	\$	300
MCC Tax Credit for 1st year	\$	2,233
Total Tax Credit for 5 years	\$	10,780
Total Tax Credit for 10 years	\$	20,446
Total Tax Credit for 30 years	\$	41,203

*This example assumes a 30 year mortgage and is for illustrative purposes only.*

*NHD does not offer tax advice. Each MCC applicant and holder should consult his/her own tax advisors or the Internal Revenue Service for guidance regarding the effect an MCC will have on individual income taxes.*





# Home Is Possible MCC Program Manual

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## Program Eligible Areas

Prior to August 9, 2016, NHD will issue MCCs in connection with purchases of eligible residences located in Clark and Washoe Counties.

On or after August 9, 2016, NHD will issue MCCs in connection with purchases of eligible residences located in all Nevada counties.

To determine if a residence is located in a targeted or non-targeted area, see page 7 of this manual.

## Participating Lenders

A purchaser of an eligible residence in the State applies for an MCC through a participating lender at the same time as applying for the loan. A participating lender is any bank, mortgage company or other person providing mortgage financing (except any person related to you) participating in the MCC Program. You are free to seek financing from any participating lender, a current list of which is available from NHD, or from any other lender which is willing to sign a lender participation agreement with NHD. The participating lender providing the financing is allowed to establish the interest rate, loan term, down payment requirements, credit and underwriting criteria, loan type, mortgage insurance requirement, fees, points, closing costs, and all other loan terms, with adjustments to those procedures as needed in order to satisfy MCC Program requirements.

## Taking the Tax Credit

The MCC credit is a conversion of a portion of a homebuyer's annual mortgage interest into a dollar-for-dollar credit against the homebuyer's federal income taxes. Where an income tax deduction only allows a homebuyer a return of \$0.15 to \$0.28 on the dollar depending on his/her tax bracket, NHD's MCC Program entitles a homebuyer to a federal tax credit equal up to 20% of the mortgage interest on all Category 1 Loans and up to 30% of the mortgage interest with a maximum credit of \$2,000 on all Category 2 Loans paid each year by the homebuyer. The remaining 70% or 80% of the annual mortgage interest payment can still be claimed as an income tax deduction.

The credit is limited to the amount of income tax otherwise payable and may be used to reduce the taxes payable or to increase the tax refund due upon filing of the borrower's federal income tax returns. Unused credit (i.e., when the homebuyer's tax liability is less than the amount of the MCC tax credit) can be carried forward for up to three tax years.

Homebuyers can claim the credit in one of two ways:

1. Annually, when filing annual tax returns; or
2. Monthly, by increasing the number of exemptions on their W-4s. Each increase in exemption provides more take home pay. The amount received per exemption varies depending on the homebuyer's tax bracket. Please consult with a tax advisor.

For the year Jan. 1–Dec. 31, 2015, or other tax year beginning , 2015, ending , 20
Your first name and initial Last name Your social security number
Roberto Shaw 888-88-8888
If a joint return, spouse's first name and initial Last name Spouse's social security number
Bambi Shaw
Home address (number and street). If you have a P.O. box, see instructions. Apt. no.
1111 Living the Dream Lane
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Presidential Election Campaign
Sparks NV 89434
Foreign country name Foreign province/state/county Foreign postal code
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. You Spouse

Filing Status
1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child

Exemptions
6a Yourself If someone can claim you as a dependent do not check box 6a
b Spouse
c Dependents:
(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) i if child under age 17 qualifying for child tax credit (see instructions)
JuniorShaw 222-22-2222Son
d Total number of exemptions claimed
Boxes checked on 6a and 6b
No. of children on 6c who:
lived with you
did not live with you due to divorce or separation (see instructions)
Dependents on 6c
Add numbers on lines above 3

Income
7 Wages, salaries, tips, etc. Attach Form(s) W-2 7 60,000.
8a Taxable interest. Attach Schedule B if required 8a
b Tax-exempt interest. Do not include on line 8a 8b
9a Ordinary dividends. Attach Schedule B if required 9a
b Qualified dividends 9b
10 Taxable refunds, credits, or offsets of state and local income taxes 10
11 Alimony received 11
12 Business income or (loss). Attach Schedule C or C-EZ 12
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here 13
14 Other gains or (losses). Attach Form 4797 14
15 a IRA distributions 15a b Taxable amount 15b
16 a Pensions and annuities 16a b Taxable amount 16b
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17
18
19
20 a Social security benefits 20a b Taxable amount 20b
21 Other income. List type and amount 21
22 Combine the amounts in the far right column for lines 7 through 21. This is your total income 22 60,000.

Adjusted Gross Income
23 Educator expenses 23
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24
25 Health savings account deduction. Attach Form 8889 25
26 Moving expenses. Attach Form 3903 26
27 Deductible part of self-employment tax. Attach Schedule SE 27
28 Self-employed SEP, SIMPLE, and qualified plans 28
29 Self-employed health insurance deduction 29
30 Penalty on early withdrawal of savings 30
31 a Alimony paid b Recipient's SSN 31a
32 IRA deduction 32
33 Student loan interest deduction 33
34 Tuition and fees. Attach Form 8917 34
35 Domestic production activities deduction. Attach Form 8903 35
36 Add lines 23 through 35 36
37 Subtract line 36 from line 22. This is your adjusted gross income 37 60,000.



**Mortgage Interest Credit**  
(For Holders of Qualified Mortgage Credit Certificates Issued by  
State or Local Governmental Units or Agencies)

a Information about Form 8396 and its instructions is at [www.irs.gov/form8396](http://www.irs.gov/form8396).  
a Attach to Form 1040 or 1040NR.

Enter the address of your main home to which the qualified mortgage certificate relates if it is different from the address shown on your tax return. Name(s) shown on your tax return		Your social security number
Roberto & Bambi Shaw		888-88-8888
Name of issuer of mortgage credit certificate	Mortgage credit certificate number	Issue date
Nevada Housing Division	MCC 2014-0612	12/01/2014

**Before you begin Part I**, figure the amounts of any of the following credits you are claiming: Credit for the elderly or the disabled, alternative motor vehicle credit, and qualified plug-in electric drive motor vehicle credit.

**Part I Current Year Mortgage Interest Credit**

<b>1</b> Interest paid on the certified indebtedness amount. If someone else (other than your spouse if filing jointly) also held an interest in the home, enter only your share of the interest paid . . .	<b>1</b>	10,000.
<b>2</b> Enter the certificate credit rate shown on your <b>mortgage credit certificate</b> . Do not enter the interest rate on your home mortgage .....	<b>2</b>	20.00 %
<b>3</b> If line 2 is 20% or less, multiply line 1 by line 2. If line 2 is more than 20%, or you refinanced your mortgage and received a reissued certificate, see the instructions for the amount to enter. <b>You must reduce your deduction for home mortgage interest on Schedule A (Form 1040) by the amount on line 3.</b>	<b>3</b>	2,000.
<b>4</b> Enter any 2012 credit carryforward from line 16 of your 2014 Form 8396 .....	<b>4</b>	
<b>5</b> Enter any 2013 credit carryforward from line 14 of your 2014 Form 8396 .....	<b>5</b>	
<b>6</b> Enter any 2014 credit carryforward from line 17 of your 2014 Form 8396 .....	<b>6</b>	
<b>7</b> Add lines 3 through 6 .....	<b>7</b>	2,000.
<b>8</b> Limitation based on tax liability. Enter the amount from the Credit Limit Worksheet (see instructions) .....	<b>8</b>	4,391.
<b>9</b> <b>Current year mortgage interest credit.</b> Enter the <b>smaller</b> of line 7 or line 8. Also include this amount in the total on Form 1040, line 54, or Form 1040NR, line 51. Check box <b>c</b> on that line and enter "8396" in the space next to that box .....	<b>9</b>	2,000.

**Part II Mortgage Interest Credit Carryforward to 2016.** (Complete **only** if line 9 is less than line 7.)

<b>10</b> Add lines 3 and 4 .....	<b>10</b>	
<b>11</b> Enter the amount from line 7 .....	<b>11</b>	
<b>12</b> Enter the <b>larger</b> of line 9 or line 10 .....	<b>12</b>	
<b>13</b> Subtract line 12 from line 11 .....	<b>13</b>	
<b>14</b> <b>2014 credit carryforward to 2016.</b> Enter the <b>smaller</b> of line 6 or line 13 .....	<b>14</b>	
<b>15</b> Subtract line 14 from line 13.....	<b>15</b>	
<b>16</b> <b>2013 credit carryforward to 2016.</b> Enter the <b>smaller</b> of line 5 or line 15 .....	<b>16</b>	
<b>17</b> <b>2015 credit carryforward to 2016.</b> Subtract line 9 from line 3. If zero or less, enter -0- . . .	<b>17</b>	



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### What is Recapture?

The recapture tax provisions of the Code apply to all MCC holders. Recapture tax is a federal tax a homebuyer may have to pay if he/she sells the home within the first nine years of the purchase date, receives a net profit on the sale of the home AND experiences income increases above the maximum household income limit at the time of sale. All three conditions must occur at the time of sale for any potential recapture tax obligations to apply. The recapture tax cannot exceed 6.25% of the original loan amount or 50% of the net gain from the sale of the home.

Homeowners who are more likely to pay recapture may have the following circumstances:

- Borrowers who are employed in a high growth income potential position
- Borrowers who are close to the maximum income limit at the time of loan closing
- Borrowers who are in a high housing inflation environment
- Single borrowers at closing who are married when the home is sold.

A borrower would not be subject to recapture if:

- He/she transfers the home to a spouse or former spouse in connection with a divorce where no gain is included
- The home is destroyed by a casualty and it is repaired or replaced on its original site within two years after the end of the tax year when the destruction happened
- The home is sold or otherwise disposed of as a result of the borrower's death
- The borrower refinances (refinancing does not cancel the recapture tax provision)

If recapture tax is owed it is not collected at the time of the sale, but instead when filing a federal return for the year in which the sale occurred. When the home is sold the borrower must complete IRS Form 8828 and file it with their Federal Tax Return for the year the home is sold, regardless if the borrower owes recapture. IRS Form 8828 will assist the borrower in determining if any recapture tax is owed. It is strongly suggested to consult with a tax advisor.



## **Nevada Housing Division Reimbursement Policy**

**NHD will reimburse an eligible homeowner** to whom it issued an MCC if the homeowner incurred and paid a recapture tax liability. The reimbursement is conditioned on the following specific requirements:

### **Specific Requirements**

1. The original loan to which the MCC relates must be outstanding at the time of sale. NHD will not reimburse the homebuyer if the loan had been previously extinguished by any form of refinance or new loan.
2. The reimbursement request must be submitted by July 15 of the calendar year immediately following the calendar year in which the home is sold and the recapture is reported on the homebuyer(s)' federal tax return.
3. NHD will reimburse only the amount of the recapture tax. NHD will not reimburse penalties or interest owed by the homebuyer(s).
4. The information on the homebuyer(s)' federal tax return for the calendar year of disposition must be true and correct.

### **How the reimbursement process works**

The homebuyer (s) must provide NHD with the following documentation to begin the reimbursement process:

1. A completed Request for Recapture Tax Reimbursement form (Available on NHD website or by borrower request to NHD);
2. A copy of the signed federal tax return, including IRS Form 8828 (Recapture of Federal Mortgage Subsidy) for the year in which the home was sold or otherwise disposed of;
3. A copy of the signed Closing Disclosure issued in connection with the disposition of the home;
4. An original signed IRS Form 4506 (Request for Copy of Tax Return) completed by each person listed as a borrower under the mortgage loan documents, permitting NHD to request federal tax returns, including IRS Form 8828. NHD will pay any fees associated with the IRS 4506 form which is required as part of the reimbursement process; and



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5. Proof that the recapture tax was paid by the homebuyer (cancelled check and/or bank statement, etc.) or proof in the form of an IRS printout that borrower was still refunded monies even after reporting Recapture Tax on the tax return.

The Request for Reimbursement package, with all documentation listed above should be mailed to:

Nevada Housing Division  
Attn: Homebuyer Program  
1830 College Parkway, #200  
Carson City, NV 89706

NHD will make every effort to process information within a sixty (60) day time frame.

The reimbursement check will be made payable to the original homebuyer(s) listed on the MCC.

### **Tax Information**

THIS NOTICE SHOULD NOT BE CONSTRUED AS TAX ADVICE. REIMBURSEMENT MAY BE TAXABLE INCOME TO MCC HOLDER IN THE YEAR RECEIVED. YOU WILL BE ISSUED AN IRS 1099 FORM (MISCELLANEOUS INCOME) FROM NHD FOR THE AMOUNT OF THE RECAPTURE TAX CLAIMED. PLEASE CONSULT TAX ADVISOR FOR FURTHER INFORMATION.



## **FAQ's – Home Is Possible MCC Program**

### **Are there any fees accompanied with the MCC program?**

Yes, there are fees associated with the MCC program. NHD charges program fee of \$795. The fee is reduced to \$395 if the MCC is combined with the Home is Possible Down Payment Assistance Program. The fee is waived for applicants who are veterans or active military duty or U.S. National Guard or surviving spouses. The lender can also charge a \$300 lender fee.

### **What if the family already claims all tax liability? Can they still benefit?**

No, the homebuyer can only receive the MCC credit if they have enough tax liability to do so. The credit cannot be larger than the annual federal income tax liability after all other credits and deductions have been taken into account. However, any unused MCC credit can be carried forward to be claimed within the following three years before it expires. Please contact your tax professional for more information.

### **Who can become a participating lender?**

Any lender, broker or person who is interested in becoming an approved lender for the MCC Program is eligible to execute a Lender Participation Agreement.

### **Is there an example to show prospective homebuyers how the program works?**

Yes, there is a MCC calculator available on NHD's website at [HomelsPossibleNV.org/MCC](http://HomelsPossibleNV.org/MCC) which displays the interest refund one can expect to be received over the 30 year mortgage term.

### **What type of Mortgage Loans can be combined with an MCC?**

Conventional, FHA, VA, and USDA loans are eligible to be combined with an MCC. An MCC cannot be combined with any type of tax-exempt bond.

### **Is there recapture on an MCC?**

Yes, the homebuyer must remain in the home for at least nine years to avoid any recapture penalties. In many cases the homebuyer may not be subject to recapture. NHD will reimburse eligible borrowers who took part in the MCC Program and the borrower/seller incurred a recapture tax liability which they reported to the IRS on their tax return (See pages 13-15 of this manual).

### **Is there a specific interest rate associated with MCC Program?**

No, the MCC Program is not accompanied by an interest rate. The homebuyer receives the current market rate from his/her lender.

### **What document allows the homebuyer to claim the Mortgage Credit**

**Certificate?** The MCC certificate the homebuyer receives contains the information to claim the tax credit.





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### **Are there any asset limitations?**

No, there are no minimum or maximum asset requirements.

### **What is the difference between a tax credit and a mortgage interest deduction?**

A "tax credit" entitles a taxpayer to subtract the amount of the credit from his or her total federal income tax liability. A "tax deduction," on the other hand, is subtracted from adjusted gross income before federal income taxes are computed.

### **Can the homebuyer still receive his/her mortgage interest deduction under the MCC Program?**

Yes, the homebuyer would claim 20% (Category 1 Loan) or 30% (Category 2 Loan) of his/her annual mortgage interest as a tax credit, and then the remaining interest can still be claimed as a mortgage interest deduction. For example, if the homebuyer receives a 20% MCC, then 20% of the interest would be refunded as a dollar to dollar benefit, and then the remaining 80% would be eligible for the interest deduction.

### **Do you require homebuyers to take homebuyer education?**

Yes, all of our Home Is Possible programs require buyers to participate in a homebuyer education class prior to closing. The buyer can choose from an approved HUD counseling agency, an approved online class or NHD sponsored Homebuyer Seminar.

**Can the homebuyer use the Home Is Possible Down Payment Assistance program and the MCC Program together?** A homebuyer can combine both the Home Is Possible Down Payment Assistance program and MCC Program as long as they meet the requirements for both programs.

### **Can an MCC be refinanced?**

Yes, if the original loan has an MCC associated with it, the homebuyer can refinance and still keep his/her MCC by completing the refinance MCC Reissuance Application. There is a nominal fee associated with this, and certain restrictions apply.

### **How does the homebuyer actually receive the MCC certificate?**

The original MCC certificate is mailed to the homebuyer once all documents have been submitted to NHD by the loan officer. It is typically mailed two weeks after closing. The loan officer also receives a copy of the MCC certificate for their records.

### **How are MCCs reserved and targeted?**

The MCC authority available shall equal, at any time, the amount of such authority committed to the MCC Program by NHD, less the amount of such MCC authority previously committed to or used for MCCs. Twenty percent (20%) of the total MCC authority will be reserved by NHD for eligible residences located in Targeted Areas for at least one year after the date NHD begins to accept applications for MCCs under the MCC Program.



# Home Is Possible MCC Program Manual

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## PROGRAM MANUAL

FOR

### NEVADA HOUSING DIVISION 2016 MORTGAGE CREDIT CERTIFICATE PROGRAM

#### TAX DISCLAIMER

This material is not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding tax penalties which may be imposed on the taxpayer. This material may be used to support the promotion or marketing of the matter discussed herein. The taxpayer should seek advice from an independent tax advisor regarding the matter set forth herein based on the taxpayer's particular circumstances.

#### GENERAL OVERVIEW

A Mortgage Credit Certificate (an "MCC") is an instrument designed to assist persons of low and moderate income to better afford homeownership. The procedures for issuing MCCs were established as an alternative to the issuance of single family mortgage revenue bonds. As distinguished from a bond program, in an MCC Program no bonds are issued and mortgages are financed in the conventional or government-insured market. However, the mortgagor may take a tax credit in an amount equal to the annual amount of interest paid on the mortgage loan multiplied by the Mortgage Credit Certificate Rate. The Mortgage Credit Certificate Rate for the Program is 20 percent.

As an example, an Applicant with a \$275,000 mortgage and a 5% interest rate could realize the following federal income tax savings (numbers are rounded):

Mortgage Amount:	\$275,000
Interest Rate:	5%
Total Interest Paid First year:	\$13,650
Mortgage Credit Certificate Rate:	<u>x.20</u>
MCC Tax Credit:	\$2,730

During the first year of the Program, the Applicant in the example above would be eligible for a tax credit of up to \$2,730. The Applicant would be able to file a revised W-4 withholding form taking into consideration the anticipated tax credit and have approximately \$227 per month in additional disposable income. Additionally, taxpayers who file itemized returns may take a deduction for their mortgage interest paid each year, less an amount equal to the MCC tax credit actually taken.

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The amount of the MCC tax credit actually claimed on the MCC holder's federal income tax return cannot exceed the amount of federal income taxes due after other credits and deductions have been taken into account. Any unused MCC related tax credit can be carried forward up to three years to be applied against future income tax liability. *In addition, all or a portion of the MCC tax credit may be subject to recapture if the Residence is sold within nine years of purchase.* This tax credit recapture is further explained in the Notice of Potential Recapture Tax included with this Program Manual.

A purchaser of a new or existing single family home may apply for an MCC through any mortgage lender at the time he or she applies for a mortgage from the lender. An MCC cannot be issued to a homebuyer (i) who is refinancing an existing mortgage or (ii) in connection with a mortgage from a relative. Also, an MCC cannot be used in connection with a tax exempt bond financed mortgage loan. Under certain circumstances an MCC may be re-issued to an existing MCC holder if such MCC holder refinances the loan on his or her residence.

Since NHD will not make or hold these mortgages, NHD does not expect to underwrite the loans. Rather, all loan approvals, underwriting and execution of required State and federal certifications or affidavits will be performed by the mortgage lenders originating the loans. NHD will work with the lender to expedite the MCC Program. NHD will receive executed certificates and affidavits of each applicant from the Lender in order to determine eligibility for the MCC Program. Lenders will process mortgage loans of all types, using normal procedures, with additions to procedures at relevant points in order to satisfy MCC Program requirements. The MCC Program requirements are independent of any customary underwriting requirements of the Lender. In order to qualify for issuance of an MCC an applicant must meet all MCC requirements in addition to any FHA, VA, RHS or conventional loan standards which must be met to satisfy the Lender.

NHD encourages anyone who believes they qualify to apply for an MCC to apply at the offices of any Lender who can explain the Program and its restrictions. Use of the MCC Information Guide and the MCC Homebuyer Worksheet can assist Lenders and Applicants in determining whether an Applicant may qualify for the Program. The Lender should be well-versed in the State and federal restrictions so that Applicants are made aware of these restrictions before the Application is taken. The Lender must reject those Applications where the Applicant does not qualify under the requirements of the Program.

The purpose of this Program Manual is to describe the Program, outline the relevant State and federal restrictions, identify the respective roles of the NHD, the Lender, the Applicant, and the Seller, and detail the processing procedures. The Program definitions and Program documents are included for reference. All capitalized terms used herein shall have the meanings assigned to them in the Definition Section of this Program Manual.

NHD may revise this Program Manual from time to time without notice. Changes required by the Code may require further revisions to the procedures outlined in this Program Manual.



# Home Is Possible MCC Program Manual

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## LOAN PROCESSING PROCEDURES AND PROGRAM ADMINISTRATION

An Applicant who may be eligible should apply for an MCC in conjunction with his or her conventional, FHA, VA or RHS mortgage loan application submitted to the Lender of his or her choice.

The MCC processing procedures are designed to coincide with the lender's customary mortgage loan processing and underwriting procedures. The Division recognizes there are procedural variations among the Lenders; consequently, the procedures outlined herein are meant to be suggestive with respect to the sequence of events. However, all the elements of the processing sequence noted below must at some point be completed by the responsible party.

The fees of the Program are set forth at each step in the processing procedures as follows, and the fees charged by the Lender in connection with the Program may not exceed the fees specified in this Program Manual. A Schedule of Fees is attached hereto as *Exhibit A*.

The following is the Loan processing and Program administration sequence of events for the MCC Program:

### A. LOAN ORIGATION AND MCC APPLICATION

1. The Applicant applies for a Loan from a Lender.
  2. Lender verifies that the Residence is within the Eligible Loan Area.
  3. Lender gives the Applicant an MCC Information Guide that explains the Program and contains consumer information. The MCC Information Guide is intended to present certain facts to the Applicant concerning the restrictions, regulations, and prohibitions of the Program because of certain federal and State regulations, as well as restrictions imposed by NHD and to explain the penalties for misuse of the Program. It is imperative that the Applicant understands the terms and conditions of the Program. During the initial interview, it is the responsibility of the Lender to explain the terms and conditions of the Program to the Applicant, and to make sure that the Applicant receives a copy of the MCC Information Guide.
  4. Lender generally determines if the Applicant is a possible candidate for an MCC, based on preliminary indications of Anticipated Annual Family Income, Acquisition Cost, prior ownership, tax liability, location of residence and other relevant factors. (Use of the MCC Homebuyer Worksheet is helpful in making this determination.)
  5. All persons interested in making applications for an MCC must be considered on a first-come, first-served basis and must have an application for a Loan on file with the Lender. Lenders must keep a record of all MCC applications received and the disposition of such applications.
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6. The Applicant must review and sign the Affidavit as well as the Tax Return Affidavit accompanied by 3 years of tax returns or transcripts, which, together with the Tax Certificate, serve as the application for an MCC (the *Application*). Only the prior year's income tax return is required for (i) a Targeted Area Loan or (II) an Applicant who is a qualified "Veteran" (as defined in 38 U.S.C. Section 101).

7. Upon submission of an Application by an Applicant, the Lender may collect and retain an MCC Application Fee of \$300. The MCC Application Fee is non-refundable and may be waived by the Lender or paid by the Applicant, the Seller, or any other person on the Applicant's behalf.

8. Lender submits the Application to NHD.

9. Lender may provide the Applicant a copy of IRS Form W-4 Employee's Withholding Allowance Certificate which contains the IRS instructions for the taxpayer. The Applicant may complete the W-4, if necessary, to change his/her federal withholding tax, adjusting it in an amount comparable to the expected MCC tax credit and submitting it to the taxpayer's employer.

### B. NHD REVIEW AND ISSUANCE OF MCC COMMITMENT LETTER

1. NHD reviews the Application to determine whether it has been completed in accordance with the requirements of the Code and this Program Manual and has been properly executed.

2. If NHD determines that the Application meets the requirements set forth in B.1 above, NHD issues an MCC Commitment Letter to Lender stating that the Applicant has received preliminary approval and that an MCC will be executed and delivered to the Applicant upon Closing of the Loan, subject to completion of all of the remaining requirements of the Program.

3. NHD shall keep an ongoing, cumulative-to-date total of MCC Commitment Letters issued to Lenders and of MCCs issued, less the amount of any MCC Commitment Letters which have expired or terminated. The MCC Commitment Letter will contain an expiration date of three months on a Loan for Existing Housing and six months on a Loan for New Housing.

4. When MCC Commitment Letters or MCCs have been issued which have effectively committed 75 percent of the Certificate Limit for each credit allocation under the Program, NHD shall prepare and distribute a notice to all Lenders stating that 75 percent of Certificate Limit with respect to such allocation has been utilized.



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5. When MCC Commitment Letters or MCCs have been issued which have effectively committed all of the Certificate Limit for the Program, NHD shall maintain a list of Applicants in order of receipt of Application without depositing the MCC Program Fee.

6. MCC Commitment Letters may not be transferred from one Lender to another. If an Applicant elects to change Lenders, the MCC Commitment Letter which has been issued shall be revoked and a new application process must be commenced by the Applicant with the new Lender including the payment of a new MCC Application Fee.

### C. LENDER LOAN APPROVAL AND VERIFICATION

1. The Lender performs its customary loan approval or underwriting procedures.

2. The Lender may consider the MCC when determining the amount of disposable income available for the monthly house payment in order to determine the Applicant's qualification for the Loan. The Lender determines general acceptability in accordance with its own loan approval standards and applicable Fannie Mae, Freddie Mac, FHA, VA, RHS and private mortgage insurance standards and underwriting guidelines.

3. In conjunction with the Lender's regular verification process, the Lender performs reasonable investigation as to whether the MCC Program requirements have been met as required by the Code and the applicable Regulations noted in the Lender Participation Agreement and the Certificate of Lender. Lenders may verify these facts at different times and in various ways, depending upon the Lender's particular procedures for processing loans.

4. The Lender verifies that the Income Limits, Acquisition Cost Limits, and other MCC Program requirements are met.

### D. APPLICANT AND LOAN APPROVAL REQUIREMENTS—OVERVIEW

For loans involving MCCs, the conventional loan approval and underwriting standards may be modified to reflect recognition of the MCC-derived federal income tax credit for mortgage interest in determining income, housing expense, and indebtedness ratios. The secondary mortgage market and the mortgage insurance industry have established underwriting policies for loans involving MCCs. These are available separately as policy statements from the mortgage lending industry.

The Applicant, Acquisition Cost and mortgage underwriting requirements covered in this section are incorporated in the Program Manual documents. It will be necessary for all Applicants, Lenders and other parties to the transaction to complete and sign the appropriate Program Manual documents and attest to their validity. The Lender will be required to submit certifications in which



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it will certify to the best of its knowledge no material misstatements appear in the Submission Package documents. If the Lender becomes aware of misstatements, whether negligently or intentionally made, it must notify NHD immediately. NHD reserves the right to take all appropriate actions including, if any, denial or cancellation of the MCC. The Lender should also be aware, and inform the Applicant, that both federal and State law provide for fines and criminal penalties, as well as revocation of the MCC, for misrepresentations made in connection with participation in the Program. In an attempt to assure that Program requirements are met, an Affidavit of Applicant is required of each Applicant, and must be submitted to NHD.

The Lender is also responsible for supplying the Applicant with information regarding the Program and its requirements, including the Notice of Potential Recapture Tax.

Under the Program, there are no restrictions with regard to the type of mortgage vehicle the Lender uses. The Program allows the use of any mortgage instrument being generally used in the marketplace and places no restrictions on Loan term or amortization methods. Notwithstanding anything herein to the contrary, the Loan to which the MCC relates must have a rate of interest that is fixed to maturity.

### E. APPLICANT ELIGIBILITY REQUIREMENTS

The Applicant must meet the credit and underwriting criteria established by the participating Lender providing the Loan. Based on relevant federal and State regulations, Applicants must also meet the following requirements specific to MCCs:

1. *Three-year No Prior Home Ownership Requirement.* Except for situations in which an MCC application is being made (i) for a residence in a Targeted Area or (ii) with respect to any Applicant who is a qualified "Veteran" (as defined in 38 U.S.C. Section 101), the Applicant who will become an MCC holder may not have had an Ownership interest in a Principal Residence at any time during the preceding three years ending on the date the MCC is issued. The Lender must obtain from the Applicant an Affidavit to the effect that the Applicant had no Ownership interest in a Principal Residence at any time during the three-year period prior to the date of which the MCC is issued unless it meets one of the exceptions listed above. This must be verified by the Lender through request for, and examination of, the Applicant's federal income tax returns for the preceding three years to determine whether the Applicant has claimed a deduction for interest or taxes on property which was the Applicant's Principal Residence.

*The three year requirement does not have to be met if the Residence for which a loan application is being made (i) is located in a Targeted Area or (ii) relates to an Applicant who is a qualified Veteran. (A list of geographical areas which comprise the Targeted Areas in the Eligible Loan Area is attached as Exhibit D). The Lender must clearly designate MCC applications involving Targeted Area Residences where appropriate in the MCC documents.*



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If none of the above exceptions applies, to meet the prior home ownership restriction requirement, the Applicant must complete and sign the Affidavit of Applicant and provide the last three years of federal income tax returns (or acceptable alternate exhibits - see below) attached to the Tax Return Affidavit. In lieu of actual copies of returns, Applicants who filed either IRS Form 1040A or 1040EZ may substitute an original letter from the Internal Revenue Service stating the type of return filed by the Applicant for each tax year, the Applicant's filing status and adjusted gross income. To summarize this procedure as it applies to different cases:

(a) If the Applicant can produce copies of signed IRS Form 1040A, 1040EZ or 1040 returns for the last three years which show no deductions of interest or real estate taxes for a Principal Residence, these forms must be submitted to the Lender and forwarded to NHD with the Tax Return Affidavit.

(b) If the Applicant has filed the IRS Form 1040A or 1040EZ for the preceding three years but cannot produce signed copies of the returns, the Applicant may substitute the original tax account information letter from the Internal Revenue Service verifying the required facts.

(c) If the Applicant has filed the IRS Form 1040 for the preceding three years, completes and signs the other required Affidavits, but cannot produce signed copies of the returns, NHD will not issue an MCC until receipt of certified tax returns (including all schedules) from the IRS, which show that the Applicant took no deduction of interest or taxes for a Principal Residence for the years in question. The certified tax returns can be requested from the IRS by the Applicant by using IRS Form 8821 or IRS Form 4506, copies of which are attached as *Exhibit C* to the Lender Participation Agreement.

(d) If the Applicant was not required by law to file federal income tax returns for any year during the preceding three years, it will be necessary for the Applicant to so state on the Tax Return Affidavit forwarded to NHD with the other Program documents.

(e) When the Loan is Closed during the period between January 1 and February 15 and the Applicant has not yet filed his or her federal income tax return for the preceding year with the IRS, NHD may, with respect to such year, rely on a Tax Return Affidavit stating the Applicant is not entitled to claim deductions for taxes or interest on indebtedness with respect to property constituting his or her Principal Residence for the preceding calendar year. The Tax Return Affidavit must be forwarded to NHD with the Closing Affidavit and the other Program documents.





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2. *Principal Residence Requirement.* The Applicant must use the Residence for which the MCC was issued as his or her Principal Residence. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement of the Applicant's intent to use the Residence as his or her Principal Residence within a reasonable time (60 days) after the MCC is issued. This Affidavit further states that the MCC holder will notify the Lender and NHD if the Residence ceases to be his or her Principal Residence.

3. *Income Limits.* The Anticipated Annual Family Income of an Applicant shall not exceed those outlined on pages 5 and 6 of this manual. The Income Limits are subject to adjustment at any time without notice.

4. *Purchase Price Limits.* The Acquisition Cost of the Residence may not exceed the Acquisition Cost Limits. The maximum Acquisition Cost Limits are outlined on page 4, but these amounts are subject to reduction by any applicable FHA limits, or such revised amounts as may be effective from time to time, as required by the Regulations. The determination whether the Residence meets the applicable Acquisition Cost Limits shall be made as of the date of the issuance of the MCC. These limits are subject to adjustment at any time without notice. Any revisions of the aforesaid Acquisition Cost Limits by NHD may rely upon average area purchase price limitations published by the Treasury Department, any successor thereof, or as may be provided in Section 143 of the Code, for the statistical area in which the Residence is located.

5. *Location.* The Residence must be located in the Eligible Loan Area.

6. *Revocation.* An Applicant will have his or her MCC revoked if the Applicant does not meet the requirements for a Qualified MCC. Revocation will occur upon the discovery of any material misstatement, whether negligent or fraudulent, contained in any of the documents submitted in connection with the issuance of the MCC. Revocation will occur if the Residence to which the MCC relates ceases to be Applicant's Principal Residence or if the loan relating to the MC is refinanced or paid in full.

7. *Fraud.* If the Applicant or MCC holder provides a certificate, Affidavit, or any other information to the Lender or NHD containing a material misstatement and such misstatement is the result of fraud, then any MCC issued shall be automatically null and void without the need for any further action on behalf of NHD.

8. *Penalties for Misstatement.* If the Applicant makes a material misstatement in any Affidavit or certification made in connection with application for or the issuance of an MCC and such misstatement is due to negligence of the Applicant, the Applicant shall pay to NHD or its agent a civil penalty fee of \$1,000 for each MCC with respect to which a



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misstatement was made. If any Applicant makes a material misstatement in any Affidavit or certification made in connection with application for or issuance of an MCC and such misstatement is due to fraud, the Applicant shall pay to NHD or its agent a civil penalty fee of \$10,000 for each MCC with respect to which the fraudulent misstatement was made. The above-described civil penalties shall be imposed in addition to any criminal penalty.

### F. LOAN REQUIREMENTS

1. *New Loan Requirements.* An MCC may not be issued in conjunction with the acquisition or replacement of an existing mortgage; *provided however*, an MCC may be issued in conjunction with the replacement of construction period loans or bridge loans of a temporary nature. The term of the construction period or bridge loans must be no longer than 24 months. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement to the effect that the Loan being made in connection with the MCC will not be used to acquire or replace an existing mortgage.

An MCC may not be issued in connection with any loan other than a mortgage loan with a fixed rate interest rate to maturity. Therefore, an MCC may not be issued in connection with an adjustable rate mortgage loan.

2. *Prohibited Mortgages.* An MCC may not be used in conjunction with a qualified mortgage bond or a qualified veterans' mortgage bond. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement that no portion of the financing of the Residence is provided from a qualified mortgage bond or qualified veterans' mortgage bond.

3. *No Interest Paid to Related Persons.* No interest on the Certified Indebtedness Amount of the Loan can be paid to a person who is a "related person" to the MCC holder, as the term is defined in Section 25(e)(6) of the Code and Regulations. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement that a "related person" does not have, and is not expected to have, an interest as a creditor in the Loan.

4. *Transferability.* If the Loan is assumed by a new purchaser, the MCC may be transferable under certain circumstances:

(a) The transferee must demonstrate he or she has assumed the liability for the remaining balance of the Loan; and

(b) The transferee must meet all of the requirements imposed on any Applicant for issuance of an MCC outlined in this Program Manual, as well as any additional federal, State or Division requirements in existence at the time the transferee applies for an MCC.



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### G. LOAN CLOSING AND SUBMISSION OF FINAL MCC PROGRAM DOCUMENTS

1. Lender confirms the MCC Commitment Letter has not expired and closes the Loan in accordance with its customary procedures.

2. Lender provides the Applicant with the Notice of Potential Recapture Tax which must be signed by the Applicant at or prior to Closing of the Loan.

3. Either Lender or the closing agent submits to NHD a completed and executed Submission Package (see the MCC Submission Cover Sheet and the list of Submission Package exhibits).

4. The Submission Package includes all of the executed certifications and Affidavits noted therein. Each document must be complete and signed as indicated. Documents should be sent to NHD, except as otherwise indicated. Submission of documents electronically is encouraged. The eligibility of an Applicant shall be determined by Lender. Lender must review the Submission Package and related documents to determine their completeness in accordance with the terms of this Program Manual. Reasonable efforts should be undertaken to verify the information given, either independently or concurrently with underwriting procedures.

5. The Submission Package will include the following documents and payments:

(a) The Reaffirmation of Applicant, duly executed by the Applicant;

(b) The Affidavit of Seller certifying the Acquisition Cost of the Residence and certain other matters;

(c) The Certificate of Lender/Closing Affidavit certifying that the Lender has performed a reasonable investigation to make the required determinations and attesting to the fact that the Loan was closed stating the final mortgage Loan amount. Further, by its submission the Lender certifies all Program eligibility requirements have been met, and the Loan fees are reasonable relative to other loans not associated with an MCC program;

(d) The Notice of Potential Recapture Tax duly executed by the Applicant; and

(e) The MCC Program Participation Fee collected by the Lender from the Applicant at Closing.

6. All Documents and the Fee must be submitted to NHD by the earlier of 15 days after the Closing Date or 15 days after the MCC Commitment Letter Expiration Date, otherwise NHD shall, in its sole discretion, either charge the Lender and the Lender shall pay a Late Submission Fee or revoke the MCC Commitment Letter and the related MCC.



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7. Submission by the Lender of an incomplete Submission Package, including Submission of Documents not fully completed, will result in the rejection of the Package by NHD and may subject the Lender to the assessment of a Resubmission Fee.

### H. ISSUANCE OF MCC

NHD will confirm, based on documentation submitted by Lender, the completion of the Applicant's file, that the MCC Commitment Letter was exercised, that the Loan was Closed as evidenced by the Submission Package, that the Applicant has met the requirements set forth in the Program Documents for issuance of an MCC and NHD then forwards to the Applicant an executed Mortgage Credit Certificate dated as of the Closing Date of the Loan. A copy of the MCC is forwarded to the Lender.

### I. RESUBMISSION OF MCC DOCUMENTS

If an MCC Application or Submission Package has been returned or denied by NHD, any resubmission, if appropriate, must include all information which NHD has determined necessary for reconsideration. An MCC Application or Submission Package that is being submitted a second time will be reviewed in depth and must be accompanied by an MCC Resubmission Fee of \$25 payable by check or money order to NHD, which MCC Resubmission Fee may not be charged to the Applicant absent a showing of the Applicant's negligence.

### J. EXTENSIONS OF MCC COMMITMENTS

1. An extension may be requested with regard to any MCC Commitment Letter which is outstanding if the related Loan has not closed.

2. A 30 days extension of the MCC Commitment Letter will be given upon Lender's submission of the MCC Commitment Extension Request Form and a \$50 MCC Extension Fee. Additional extensions may be granted if and when NHD determines that extenuating circumstances exist. Expiration dates may be subject to additional federal requirements.

### K. MCC COMMITMENT CANCELLATIONS

Lender must notify the NHD of MCC Commitment Letters to be canceled by submitting written notification and returning the original MCC Commitment Letter.



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## L. MCC COMMITMENT AMENDMENTS

In the event of any change in the Residence address, increase in Loan amount, or change in marital status of the Applicant which would necessitate the refilling of an amended Affidavit of Applicant and the revision of an MCC Commitment Letter, the Lender must submit a new Affidavit of Applicant with the correct information and a cover letter referring to the original MCC

Commitment Letter number requesting the revision of the MCC Commitment Letter.

## M. CHANGES PRIOR TO CLOSING

MCC Commitment Letters are issued subject to the condition that all the requirements necessary for issuance of an MCC shall have been met prior to issuance of the MCC. Lender must notify NHD of any changes that affect the conditions under which the MCC Commitment Letter was issued, including but not limited to changes in the Applicant's financial status, family size or income, the employment status of the Applicant or the Applicant's spouse, marital status or the amount of the Loan.

The MCC Commitment Letter is issued in reliance upon the Affidavit of Applicant. Lender must immediately notify NHD in writing of any change in the circumstances upon which the MCC Commitment Letter was issued. If any change of the circumstances upon which the MCC Commitment Letter was issued occurs so that the MCC to be issued will not meet the requirements of a Qualified MCC, the MCC Commitment Letter will be revoked.

## N. RECORD KEEPING AND REPORT FILING

1. For each calendar quarter NHD issues MCCs beginning with the quarter in which the election to issue MCCs is made, NHD will file reports on IRS Form 8330.
2. NHD will report annually to the Internal Revenue Service in the form prescribed by Treasury Regulation § 1.25-4T(e):
  - (a) The number of Mortgage Credit Certificate certificates by Income and Acquisition Cost as required by IRS reporting regulations; and
  - (b) The volume of Mortgage Credit Certificate certificates by Income and Acquisition Cost as required by IRS reporting regulations.
3. For each calendar year during which it originates Loans to Applicants obtaining MCCs, each Lender must file an annual report using IRS Form 8329. Prior to the filing deadline for such



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report, NHD will assist in furnishing to the Lender the information available in its records necessary for the Lender to complete IRS Form 8329.

4. For six years, the Lender must retain:

(a) Name, address (including the address of the Residence financed with the Loan) and taxpayer identification number of each MCC holder;

(b) Name, address and taxpayer identification number of NHD; and

(c) Date of Loan, Certified Indebtedness Amount, and MCC Rate.

5. In January following each year during which MCCs are issued, NHD shall mail an IRS Form 8396 to each MCC holder of record as a reminder to properly declare the MCC tax credit for federal income tax purposes.

### O. REVOCATION OF MCCs

1. Automatic revocation occurs when the Residence related to the MCC ceases to be the MCC holder's Principal Residence or the Certified Indebtedness Amount is refinanced or repaid.

2. An MCC will be revoked if the holder ceases to meet the requirements with respect to a Qualified MCC.

3. The MCC will be revoked upon the discovery of any material misstatement, whether negligent or fraudulent, by any person related to the issuance of the MCC.

### P. CURING DEFECTS

If any defects or omissions are discovered in the Application or in any certificate or Affidavit or any document included or which should have been included in the Submission Package after an MCC has been issued, Lender and MCC holder shall be notified of such defect and given 60 days to cure same prior to revocation of the MCC.

### Q. TRANSFER OF MCCs ON MORTGAGE ASSUMPTIONS

A Loan assumption associated with an MCC will be treated as a new MCC application, and the procedure required by this Program Manual must be repeated for the new Applicant. Transfer of the MCC is dependent upon the ability of the transferee to qualify under the Program requirements in effect at the time of the transfer. The Division gives no assurance it will approve such a transfer. Since an MCC will already be outstanding, an MCC Commitment Letter will not be issued, and all of the required Program documents will be submitted at one time with the new Submission Package. A single MCC Assumption or Refinancing Fee of \$325 will be charged by



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NHD in connection with such transfers.

### R. AUDIT

NHD may perform a random audit of Lender records to determine compliance with required Program procedures.

### S. NOTICE OF MCC ELIGIBILITY DENIAL

If a Lender determines an Applicant is ineligible for an MCC Commitment Letter or the issuance of an MCC, the Lender shall file a Notice of Denial of Eligibility for MCC form with NHD. Lender shall complete the Notice of Denial of Eligibility for MCC stating the reason Lender denied Applicant's eligibility in the MCC Program, and NHD shall maintain a list of such prospective Applicants that were denied eligibility in the Program.

### T. RECAPTURE OF MCC TAX CREDIT

If an MCC certificate holder sells the Residence within nine years of issuance of the MCC, a portion of the tax credit utilized by the certificate holder may be subject to a recapture tax. See the Notice of Potential Recapture Tax for further information regarding tax credit recapture. If an MCC certificate holder is subject to pay recapture they may be able to take a part of the Recapture Tax Reimbursement outlined on page 13-15 of this manual.

### U. REISSUANCE OF MCC IN CASE OF REFINANCING

If an MCC holder refinances the Loan on the Residence, the Applicant shall submit the MCC Reissuance Application and shall pay the \$325 MCC Assumption or Refinancing Fee. The period for which the reissued certificate is in effect begins with the date the refinancing is closed. NHD shall reissue the MCC if: (i) the MCC is reissued to the holder of an existing MCC with respect to the same property to which the existing MCC relates; (ii) the reissued MCC entirely replaces the existing MCC (that is, the holder cannot retain the existing MCC with respect to any portion of the outstanding balance of the certified mortgage indebtedness specified on the existing MCC); (iii) the Certified Indebtedness Amount specified on the reissued MCC does not exceed the outstanding balance of the Certified Indebtedness Amount specified on the existing MCC; (iv) the reissued MCC does not increase the Mortgage Credit Certificate Rate specified in the existing MCC; (v) the Expiration Date on the newly reissued MCC is not later than the Expiration Date on the existing MCC; and (vi) the reissued MCC does not result in an increase in the tax credit that would otherwise have been allowable to the holder under the existing MCC for any taxable year. *The Lender or closing agent, as applicable, shall certify as to the outstanding balance on the Loan associated with the existing MCC so NHD can make the determination required by clause (iii) of this paragraph.*



# Home Is Possible MCC Program Manual

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## Exhibit A

### SCHEDULE OF PROGRAM FEES AND EXPENSES

MCC Application Fee.....	\$300
This fee is paid by the Applicant to the Lender at the time of submission of an Application for an MCC.	
MCC Program Participation Fee.....	\$795
This fee is paid by the Applicant to NHD at the time of the Closing of the Loan. This fee shall be \$395 if the MCC is combined with the Home is Possible Down Payment Assistance Program. The MCC Program Participation Fee is waived for Applicants who are veterans or are on active military duty in the U.S. National Guard or surviving spouses. If no MCC is issued to the Applicant, the Program Participation Fee will be returned to the Applicant.	
MCC Extension Fee.....	\$50
This fee is paid to NHD by the Applicant with the Lender's request for a thirty (30) day extension of the MCC Commitment Letter. Absent such an extension, MCC Commitment Letters remain in effect for three months in the case of Existing Housing and six months in the case of New Housing. Additional extensions may be granted if extenuating circumstances exist.	
MCC Resubmission Fee.....	\$25
This fee is submitted to NHD by the Lender each time the documentation for the MCC has been rejected based upon non-compliance with the Program guidelines and such documentation is being resubmitted for consideration by NHD. Since the Lender is responsible for assuring that all documentation is in order prior to submission to NHD, this fee is chargeable to the Lender rather than to the Applicant absent a showing of the Applicant's negligence.	
Late Submission Fee.....	\$75
This fee is paid to NHD by the Lender and submitted with a Submission Package that is delivered to NHD after the prescribed deadlines set forth in Section G.6 hereof.	
MCC Assumption or Refinancing Fee.....	\$325
This fee is paid to NHD by the Applicant and submitted with a Submission Package prepared in connection with a Loan assumption or refinancing associated with an MCC previously issued with respect to the Loan.	



# Home Is Possible MCC Program Manual



Exhibit B

Applicant: \_\_\_\_\_  
MCC Commitment No: \_\_\_\_\_  
Expiration Date: \_\_\_\_\_  
Lender: \_\_\_\_\_  
Loan Amount: \_\_\_\_\_

## MORTGAGE CREDIT CERTIFICATE COMMITMENT LETTER

TO THE ABOVE APPLICANT AND LENDER:

An Application in the form of an Affidavit of Applicant and related documentation pursuant to the Nevada Housing Division (NHD) Mortgage Credit Certificate Program Manual has been received by NHD and reviewed for its compliance with the terms and conditions of the Program. NHD has determined the Applicant has complied with the initial requirements of the Program.

Subject to completion of the remaining terms and conditions prior to issuance of a Mortgage Credit Certificate pursuant to the Program Manual, NHD will execute and deliver a Mortgage Credit Certificate to the Applicant for a Loan amount not to exceed the above-indicated sum to be dated as of the date of closing the Loan. A copy of such Mortgage Credit Certificate shall be furnished to the Lender for its records.

The terms of this MCC Commitment Letter are governed by the Program Manual which is incorporated herein by reference as is fully set forth herein. *THIS COMMITMENT WILL EXPIRE ON THE EXPIRATION DATE INDICATED ABOVE*, which is three months from the date hereof if the Loan is being made for the purchase of Existing Housing or six months from the date hereof if the Loan is being made for the purchase of New Housing. If you require an extension, an Extension Request Form must be filed prior to the Expiration Date or you may lose the commitment.

*PLEASE BE SURE* to submit the Submission Package to the Nevada Housing Division within 15 days of the Closing Date, unless an extension has been approved.

Dated:

NEVADA HOUSING DIVISION

*20% MCC Rate*

By:

Name:

Title:           MCC Program Specialist          

Nevada Housing Division  
1830 College Parkway #200, Carson City, NV 89706  
Phone: 775-687-2247 Fax 775-687-4040  
Email: [MCC@housing.nv.gov](mailto:MCC@housing.nv.gov)  
[www.HomeIsPossibleNV.org](http://www.HomeIsPossibleNV.org)



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(FORM OF CERTIFICATE)

**NEVADA HOUSING DIVISION  
2016 MORTGAGE CREDIT CERTIFICATE PROGRAM**

This Mortgage Credit Certificate (this "Certificate") is issued by the Nevada Housing Division (the "Issuer"), 1830 College Pkwy, #200, Carson City, Nevada 89706, Tax Identification # 52- 2038434, pursuant to the Issuer's selection not to issue qualified mortgage bonds, dated May 6, 2016 to

Name (s): \_\_\_\_\_

Taxpayer ID Nos. \_\_\_\_\_

Address: \_\_\_\_\_

THE MORTGAGE CREDIT CERTIFICATE RATE is 20% with no cap on tax credit amount.

Pursuant to the closing certificate as of the date below, the CERTIFIED INDEBTEDNESS AMOUNT with respect to which this Certificate issued is \$ \_\_\_\_\_ (Loan amount).

The EXPIRATION DATE of this Certificate, which is also the date such indebtedness matures, is \_\_\_\_\_

The ACQUISITION COST of the Residence with respect to which this Certificate is issued is \$ \_\_\_\_\_.

The AVERAGE AREA PURCHASE PRICE applicable to the Residence is \$ \_\_\_\_\_.

The Residence with respect to which this Certificate is issued is located in a Non-Targeted Area.

The CLOSING DATE, which is the date on which the closing agreement was signed with respect to the Certified Indebtedness Amount, was \_\_\_\_\_.

The Certificate holder meets the requirements of Internal Revenue Code § 25(c)(2)(A)(iii)(IV), relating to income, and the undersigned certifies under penalties of perjury that it has determined to the best of its ability that this Certificate meets the following requirements, as applicable, of Treasury Regulations § 1.25-3T(d), relating to residence; § 1.25-3T(e), relating to ownership interests within the three year prior period; § 1.25-3T(f), relating to acquisition cost; § 1.25-3T(g), relating to new mortgages; § 1.25-3T(i), relating to prohibited mortgages; § 1.25-3T(j), relating to particular lenders; § 1.25-3T(n), relating to interest paid to related persons; and whether the Residence in connection with which this Certificate is issued is a Residence located in a Targeted Area or Non-Targeted Area. There are no allocations to particular developments as described in § 1.25-3T (k).



## Home Is Possible MCC Program Manual

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This Certificate may be transferred only after issuance of a new Certificate by the Issuer.

Under penalty of perjury, the Issuer states that it has made the determinations described above as specified in Treasury Regulations § 1.25-6T(b)(9)-(16).

DATED: \_\_\_\_\_

**NEVADA HOUSING DIVISION**

Cert. No.: \_\_\_\_\_

By \_\_\_\_\_

Name:

Title:



# Home Is Possible MCC Program Manual

## EXHIBIT D Targeted Areas Census Tracts

CENSUS TRACT# OF TARGETED AREAS IN CLARK COUNTY	
3.01	24.05
3.02	25.06
4.02	29.54
4.02	29.56
5.14	29.96
5.21	34.28
5.22	34.31
5.23	38.00
5.24	40.00
5.28	43.01
6.00	43.02
7.00	46.01
8.00	46.02
11.00	47.07
15.01	47.09
16.12	47.10
22.04	47.12
22.07	47.13
24.03	47.15
24.04	71.00

CENSUS TRACT# OF TARGETED AREAS IN WASHOE COUNTY	
1.02	18.02
2.01	21.02
9.00	22.11
10.08	27.03
17.01	9800

CENSUS TRACT# OF TARGETED AREAS IN MINERAL COUNTY	
9708	



# Home Is Possible MCC Program Manual

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## MCC APPLICATION SUBMITTAL OVERVIEW

### **Step One Documents (SHOULD BE SUBMITTED AT LEAST 10 DAYS PRIOR TO CLOSE)**

- MCC Application Pages 2-14
- Tax Returns
  - Must include 3 most recent tax returns or transcripts
  - For qualified Veterans include most recent tax return and DD214
- Home Buyer Education Certificate

### **Step Two Documents (MUST BE SUBMITTED WITHIN 15 DAYS AFTER CLOSE)**

- MCC Application Pages 15-30
- Final Settlement Statement from Title Company
- Final Closing Disclosure from Lender
- MCC Payment\* (Check made payable to Nevada Housing Division)

### **FEES:**

As applicable, the following fee/fees are payable to the Nevada Housing Division and can be made by check or money order.

\$795	MCC Program Fee
\$395	Discounted MCC Program Fee if combined with HIP DPA
\$ 25	MCC Resubmission Fee
\$ 50	MCC Extension Fee
\$ 75	Late Submission Fee

\* The MCC Program Fee is Waived for Applicants who are Veterans or, are on active duty or currently in the U.S. National Guard or surviving spouses.



# Home Is Possible MCC Program Manual

## MCC SUBMISSION COVER SHEET – STEP 1

### NEVADA HOUSING DIVISION

Step 1 forms are due within 10 days prior to closing -

**Submit to: MCC@housing.nv.gov**

All field are required unless otherwise noted. Incomplete forms will be denied.

Lender:	_____	Realtor Company:	_____
Loan Officer:	_____	Agent:	_____
Best Contact:	_____	Title Company:	_____
Phone:	_____	Escrow Officer:	_____
Fax:	_____	Escrow Email:	_____
Email:	_____	Phone:	_____
Branch Manager:	_____	Escrow #:	_____
Office Address:	_____		
City:	_____	ZIP:	_____
Applicant:	_____	Applicant 2:	_____
Taxpayer ID#:	_____	Taxpayer 2 ID#:	_____
Email:	_____	Email:	_____
Subject Property Address:	_____		
City:	_____	Zip:	_____
Subdivision:	_____	County:	_____
Targeted Area:	Yes      No	Builder (if new):	_____
Type of Residence:	New      Existing	Census Tract #:	_____
Loan Amount:	_____	Qualified Veteran:	Yes      No
Loan Type:	FHA      VA      Conv	USDA      Other	
List any DPA Program Associated with this Loan:	_____		
Loan Term:	_____	1st Time Homebuyer:	Yes      No
Est Closing Date:	_____	(has not owned a home within the past 3 years)	
Lender Loan #:	_____	Loan Interest Rate:	_____
<b>Anticipated Annual Family Income</b>	_____	Family Size:	_____
<b>(From Worksheet One)</b>	_____	Acquisition Cost:	_____
Ethnicity of Borrower (Optional):	_____		

**Step 1 Checklist:** The following documents must be submitted in order to receive an MCC commitment. Incomplete forms will be denied.

- MCC Submission Cover Sheet - Step1
- Affidavit of Applicant (with Worksheets One through Three attached)
- Tax Return Affidavit
- Three years of tax returns or transcripts
  - (Qualifying Veteran – DD214 & most recent federal tax return)
  - (Target Area purchaser - most recent federal tax return)
- Homebuyer Education Certificate

(For Administrative Use Only)

MCC commitment:      Approved      Denied      MCC Commitment #: \_\_\_\_\_

Commitment Date: \_\_\_\_\_



# Home Is Possible MCC Program Manual

## AFFIDAVIT OF APPLICANT

Applicant:	_____	Applicant 2:	_____
Subject Property Address:	_____		
City:	_____	Zip:	_____
County:	_____		
Targeted Area:	Yes _____	No _____	Census Tract #:
Type of Residence:	New _____	Existing _____	_____
Qualified Veteran:	Yes _____	No _____	Lender:
Loan Amount:	_____		Loan Officer:
Acquisition Cost:	_____		Telephone #:
			_____

The undersigned Applicant (whether one or more), the buyer(s) or owner(s) of the Residence listed above (the "Residence"), promises, under penalty of perjury and the penalties listed here, that each of the following statements are true, correct and complete:

### 1. Income.

- (a) My anticipated annual family income is \$ \_\_\_\_\_ [Will auto-fill from Worksheet One.]
- (b) I agree to furnish true copies of the federal income tax returns that were signed and filed with the Internal Revenue Service for the past three years, including the most recent year, for myself and all persons who will live with me in the Residence and/or who will be liable on the loan. *Only tax returns for the year most recently ended need to be provided, if (i) the Residence is located in a target area or (ii) you are a qualified "Veteran" (as defined in 38 U.S.C. Section 101).*
- (c) I authorize the Lender listed above to review the returns to verify the statements I make here, and I authorize the Nevada Housing Division ("NHD"), the Lender listed above, the Issuer (as defined below) and their agents to review the returns as may be necessary to process my application for a Mortgage Credit Certificate ("MCC") under the Nevada Housing Division Mortgage Credit Certificate Program (the "Program").

### 2. Family Size.

- (a) The total number of my family members who will live with me in the Residence, plus any other persons who are not part of my family but who will live with me in the Residence, is:

### 3. Location of Residence.

- (a) The subject property must be located within the State of Nevada (and, for loans closed before August 9, 2016, Clark or Washoe Counties).

### 4. Acquisition Cost.

- (a) The Residence is (check one):
  - a new single family residence that has never been lived in
  - a single family residence that has been lived in before.
- (b) The "Cost" of the Residence to me (as calculated on Worksheet Two attached to this affidavit) is \$ \_\_\_\_\_



## Home Is Possible MCC Program Manual

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- (c) The "Cost" includes:
- (i) everything I paid or someone else paid for me, either in cash or in kind, for the Residence;
  - (ii) if the Residence is not finished, the reasonable cost to finish it, whether or not the cost to finish the Residence is covered by the amount I borrowed to buy the Residence; and
  - (iii) if the Residence sits on leased ground, the value of the ground lease.
- (d) I understand "Cost" does not include:
- (i) settlement and financing costs (such as title and transfer fees, title insurance, survey fees, credit reference fees, legal fees, appraisal fees, points paid by me, credit report fees, FHA insurance premiums, hazard or flood insurance premiums, abstract fees, tax service fees, recording or registration fees, escrow fees, file preparation fees and other similar costs);
  - (ii) the value of any services performed by me or my family members in completing the Residence;
  - (iii) the cost of the land the Residence sits on, if I owned the land for at least two years before the Residence was built;
  - (iv) (amounts I paid or someone paid for me to the Seller or for the Seller of the Residence for property that is not a "fixture" (permanently attached to the land or to the Residence); and
  - (v) amounts I paid or someone paid for me or the Seller of the Residence paid or someone paid for the Seller for painting, minor repairs, floor refinishing or other fix-up expenses.
- (e) Worksheet Two attached to this certificate is an accurate calculation of the "Cost" of the Residence.

### 5. *Principal Residence.*

- (a) I intend to live in the Residence within a reasonable time (not to exceed 60 days) after closing of the Mortgage. The Residence will be my "Principal Residence". I understand that "*Principal Residence*" means the home where I live and which is used primarily as a residence (not as a business). Whether the Residence is my Principal Residence depends on my particular circumstances, including my good-faith intention to make the Residence my Principal Residence. I understand a "Principal Residence" does not include a home used that is rented to someone else or a vacation home or a home is used primarily in a trade or business. If 15 percent or more of a home is used in a trade or business, the home is considered used primarily in a trade or business. I agree to notify the Lender and NHD immediately if the Residence stops being my Principal Residence.
- (b) If any part of my home is used in my trade or business, I agree I will not claim any deductions on my income tax return for such use.





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6. *Prior Ownership of a Residence.* (check all that apply)

(a) **I am a Qualified Veteran**

Defined as a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable, who has not previously obtained a mortgage credit certificate or a loan financed by single family mortgage revenue bonds utilizing the veteran exception to waive the requirement of being a first-time homebuyer as set forth in Section 416 of the Tax Relief and Health Code Act of 2006.

(b) **The Residence is located in a Targeted Area.**

(c) **I have not owned a “Principal Residence”**

at any time during the last three years. I have not claimed any deductions on my income tax returns during the last three years for real property taxes or interest on a home. I understand that “Principal Residence” means the same thing that it did in paragraph 5 above.

(d) I understand owning a “Principal Residence” could include the following types of arrangements:

(i) direct ownership;

(ii) ownership along with someone else;

(iii) an agreement that once a certain number of payments of a set amount were made, I would own the residence; and

(iv) any other arrangements that would give me ownership in the future.

(e) Worksheet three attached to this certificate is a correct list of the places I have lived during the past three (3) years.

7. *New Mortgage.*

[If paragraph 6(b) is checked.] The Mortgage [if the Residence will not be used to repay a mortgage I owed on the Residence or I co-signed. I have never had a mortgage on the Residence (except for a temporary construction loan within 24 months from the date of this affidavit if the Residence was recently built).

(a) If the proceeds of the Mortgage will be used to replace a construction loan, describe the loan in the space below. Be specific about the lender, the purpose and the term of the loan.

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## Home Is Possible MCC Program Manual

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8. *Prohibited Mortgages.*

No portion of the financing for the Residence may come from the proceeds of qualified mortgage bonds or qualified veterans' mortgage bonds.

9. *Size of Property; Income from Property.*

The lot that the Residence sits on is not larger than the normal size of lots in the area. I do not expect to make any money from the lot the Residence sits on, such as by selling or leasing a portion of the lot.

10. *Other Owners of Residence.*

Once I buy the Residence, no one will own any part of the Residence who has not signed this affidavit or another affidavit like this one.

11. *Verification.*

I understand the Lender, NHD, the Internal Revenue Service, or their authorized representatives will check to make sure my statements in this affidavit are true and complete. I agree to allow the Lender, the Internal Revenue Service, NHD and their authorized representatives access to any information, including my past income tax returns, the checks from my bank or other proof that I paid my rent, utility bills, work records, etc., may be needed to check the information I have provided. I will authorize others, such as my bank or my employer, to provide the information required to confirm the statements I have made.

12. *Program Information.*

I have been furnished a copy of the Mortgage Credit Certificate Brochure and have a basic understanding as to the provisions of the Program.

13. *No Other Certificate.*

I have not previously received a Mortgage Credit Certificate under this or any other Mortgage Credit Program.

14. *Lender.*

I have not been required to use any particular lender to finance the purchase of the Residence in order to qualify for the Program.

15. *Transfer or Assumption.*

I understand that the Mortgage Credit Certificate may not be transferred unless NHD issues a new Mortgage Credit Certificate. If I ever want to transfer my Mortgage Credit Certificate under the transfer provisions of the Program, the person to whom my Mortgage Credit Certificate is transferred must qualify as an Applicant and must meet all of the requirements for a Mortgage Credit Certificate that are in place at the time the new certificate is to be issued.

16. *Interest to Related Persons.*

No portion of the Mortgage has been made by or will be repaid to a person who is related to me.

17. *Possible Interest Recapture.*

I understand, acknowledge, and agree that if I dispose of (for example, by sale) the Residence within nine (9) years from the date the mortgage loan is originated, the Internal Revenue Service may levy a tax on me upon such disposition up to the lesser of (i) six and one-quarter percent (6.25%) of the loan amount or (ii) fifty percent (50%) of the amount of gain that I realize upon the disposition, depending upon my income level, the amount of the loan, and the number of years I hold the Residence.



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Because you are receiving a Mortgage Credit Certificate with your mortgage loan, you are receiving the benefit of a credit against your federal income tax. If you sell or otherwise dispose of your home during the next nine years, this benefit may be “recaptured.” The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain and if your income increases above specified levels.

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax. Within the next 90 days, you will be given additional information that will be needed to calculate the recapture tax.

18. *Penalty.*

*These statements are made under penalty of perjury. I understand that any material misstatement in this or any affidavit or certification made in connection with application for or issuance of a Mortgage Credit Certificate because I was negligent will result in a civil penalty of \$1,000, revocation of any Mortgage Credit Certificate issued in connection with the application and any criminal penalty that may apply. Any material misstatement due to my fraud will result in a civil penalty of \$10,000, revocation of any Mortgage Credit Certificate issued in connection with the application and any criminal penalty that may apply. I understand that perjury is a felony. A person who is convicted of perjury can be punished with a fine, imprisonment or both.*

19. *Attachments.*

All documents attached to this affidavit and marked as attachments are part of this affidavit and are true and correct and not misleading.

I DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT.

NAME(S) OF APPLICANT:

SIGNATURE(S) OF APPLICANT:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Executed on \_\_\_\_\_



# Home Is Possible MCC Program Manual

## Worksheet One Anticipated Annual Family Income

REQUIRED TO COMPLY WITH FEDERAL INCOME TAX LAWS  
RELATING TO THE MCC PROGRAM

1. The names, relationships, ages and taxpayer identification numbers of all persons intending to reside in the Residence, including applicant, are as follows: **(ADD ADDITIONAL PERSONS STARTING ON THIRD LINE)**

NAMES	RELATIONSHIP TO APPLICANT	AGES	TAXPAYER ID #

2. The name and address of the employer(s) of each person listed above, **and liable on the loan**, and his/her monthly gross \*income is as follows:

FIRST NAME (FROM ABOVE)	EMPLOYER NAME AND ADDRESS	MONTHLY GROSS INCOME
Total Monthly Gross Income		
Anticipated Annual Family Income x 12:		

All current or anticipated wages and salaries, over-time pay, part-time employment compensation, commissions, fees, tips and bonuses, and other compensation for personal services, before payroll deductions;

\*"Monthly gross income" includes all amounts that I receive or expect to receive, whether or not I receive that amount on a regular basis. See listing for examples of the types of amounts to be included.



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Net income from the operation of a business or profession (without deducting expenditures for business expansion or amortization of capital indebtedness or an allowance for depreciation of capital assets);

Any interest, dividends, royalties, and other net income of any kind from any investment or from real or personal property (without deducting expenditures for amortization of capital indebtedness or an allowance for depreciation of capital assets);

All income received from social security, annuities, insurance policies, retirement funds, pensions, Department of Veterans Affairs (VA) compensation, disability, or other benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of periodic payments;

Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay;

The maximum amount of welfare assistance or any other form of public assistance available to the above persons;

Periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the Residence;

All regular pay, special pay, and allowances of a member of the Armed Forces (whether or not living in the Residence) who is the head of the household or spouse or other person whose dependents are residing in the Residence; and

Any earned income tax credit to the extent it exceeds income tax liability.

3. The Anticipated Annual Family Income for all of the above persons [the total monthly gross income from paragraph 2 above multiplied by twelve] is \$\_\_\_\_\_. [Insert this figure in the blank in paragraph 1(a) of the Affidavit of Applicant.]
  
4. I acknowledge all of the above information is important to the issuance of a Mortgage Credit Certificate. I agree to allow my employer or any other person with knowledge about my income to provide the information to the Nevada Housing Division and its authorized agents and any authorized agent of the Treasury Department or the Internal Revenue Service.

Date: \_\_\_\_\_

\_\_\_\_\_  
Applicant

\_\_\_\_\_  
Applicant



# Home Is Possible MCC Program Manual

## Worksheet Two-Cost of Residence

1. Amount I paid to the Seller for the Residence either with cash or some other kind of payment (including any amount the Seller is required to pay as a real estate commission or loan discount points): \$ \_\_\_\_\_
  
2. Any other extra amount not listed in paragraph 1 I paid or someone else paid for me to the Seller or for the Seller for the Residence either with cash or some other kind of payment: \$ \_\_\_\_\_
  
3. If the Residence is not finished, the estimated cost of finishing it, including the cost of any necessary alterations or improvements. Does not include the value of service I or members of my family will perform in finishing the Residence. \$ \_\_\_\_\_  
 (Describe any alterations or improvements.)  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
  
4. If the Residence sits on leased land, the value of the lease at the time of purchase of the Residence (using a discount rate equal to the interest rate borne by the Loan). \$ \_\_\_\_\_
  
5. Total Cost of the Residence (Total of 1, 2, 3 and 4) [INSERT THIS FIGURE IN PARAGRAPH 4 OF THE AFFIDAVIT OF APPLICANT]: \$ \_\_\_\_\_



# Home Is Possible MCC Program Manual

## WORKSHEET THREE-PRIOR RESIDENCES

[NOT REQUIRED (I) FOR RESIDENCE LOCATED IN A TARGETED AREA OR (II) IF YOU ARE A QUALIFIED VETERAN]

During the last three (3) years I have either:

- (1) Rented at the following addresses for the following periods of time:  
(All fields must be filled out. Please include AREA CODE. Incomplete forms will be rejected.)

Address: \_\_\_\_\_ Landlord: \_\_\_\_\_  
 City: \_\_\_\_\_ From:(mm/yy) \_\_\_\_\_  
 Phone: \_\_\_\_\_ To: (mm/yy) \_\_\_\_\_

Address: \_\_\_\_\_ Landlord: \_\_\_\_\_  
 City: \_\_\_\_\_ From: (mm/yy) \_\_\_\_\_  
 Phone: \_\_\_\_\_ To: (mm/yy) \_\_\_\_\_

Address: \_\_\_\_\_ Landlord: \_\_\_\_\_  
 City: \_\_\_\_\_ From: (mm/yy) \_\_\_\_\_  
 Phone: \_\_\_\_\_ To: (mm/yy) \_\_\_\_\_

(Indicate additional addresses on a separate sheet, if necessary.)

- (2) Lived with the following members of my family (without owning a “Principal Residence”\*) at the following addresses for the following periods of time:

Names: \_\_\_\_\_ Relationship: \_\_\_\_\_  
 Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_  
 Phone: \_\_\_\_\_ From: (mm/yy) \_\_\_\_\_ To: (mm/yy) \_\_\_\_\_

Names: \_\_\_\_\_ Relationship: \_\_\_\_\_  
 Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_  
 Phone: \_\_\_\_\_ From: (mm/yy) \_\_\_\_\_ To: (mm/yy) \_\_\_\_\_

Names: \_\_\_\_\_ Relationship: \_\_\_\_\_  
 Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_  
 Phone: \_\_\_\_\_ From: (mm/yy) \_\_\_\_\_ To: (mm/yy) \_\_\_\_\_

(Indicate additional addresses on a separate sheet, if necessary)

**\*I understand “Principal Residence” means a home that is used primarily to live in. Whether the Residence is my Principal Residence depends upon my particular circumstances, including my good faith intention to make it my Principal Residence.**



## Home Is Possible MCC Program Manual

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3. Lived under some other arrangement not described in (1) or (2) above without owning a “Principal Residence” at the following addresses for the following periods of time (describe the arrangements and give the names, addresses, and telephone numbers of persons who can be contacted to verify arrangements):

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# Home Is Possible MCC Program Manual

## TAX RETURN AFFIDAVIT

Applicant: _____	Applicant 2: _____
Loan Amount: _____	Lender: _____
Contact: _____	Telephone: _____
Subject Property Address: _____	
City: _____	Zip Code: _____
County: _____	

I (the “Applicant” or “Applicants” ),the undersigned, promise, **UNDER PENALTY OF PERJURY** ,and the penalties listed here, that each of the following statements about my tax returns are true, correct and complete.

1. *Tax Returns Attached.*

The following information is correct for all persons intending to live with me in the Residence described on the Affidavit of Applicant (CHECK WHICH APPLIES):

The original tax account information letter from the Internal Revenue Service verifying the type of return I filed, my filing status and my adjusted gross income for the year most recently ended is attached. [The original tax account information letter may be used instead of furnishing copies of tax returns for persons who filed their Form 1040A or 1040EZ tax returns].

A true copy of each federal income tax return for the prior 3 years are attached. If (i) the Residence is located in a Targeted Area or (ii) I am a Qualified Veteran (as defined in 38 U.S.C. Section 101), a true copy of the federal income tax return for the year most recently ended is attached.

2. *\* Tax Return Not Required.*

I was not required by law to file a federal income tax return for the following year(s) and reason(s) stated below:

Year	Reason
_____	_____
_____	_____
_____	_____

3. *Material Misstatements and Penalties.*

I understand this Affidavit will be relied upon to determine my eligibility for a Mortgage Credit Certificate. I understand any material misstatement in this or any affidavit or certification made in connection with application for or issuance of a Mortgage Credit Certificate because I was negligent will result in a civil penalty of \$1,000, revocation of any Mortgage Credit

\* Applies only if the Applicant was *not* required by law to file federal income tax returns for any of the preceding three years.



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Certificate issued in connection with the application and any criminal penalty that may apply. Any material misstatement due to my fraud will result in a civil penalty of \$10,000, revocation of any Mortgage Credit Certificate issued in connection with the application and any criminal penalty that may apply. I understand that perjury is a felony. A person who is convicted of perjury can be punished with a fine, imprisonment or both.

4. All documents attached to this Affidavit and marked as attachments are true and correct and not misleading.

I/WE DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT.

SIGNATURE OF APPLICANT

SIGNATURE OF APPLICANT 2

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
NAME OF APPLICANT

\_\_\_\_\_  
NAME OF APPLICANT 2

\_\_\_\_\_  
TAXPAYER ID NUMBER

\_\_\_\_\_  
TAXPAYER ID NUMBER 2

Executed on: \_\_\_\_\_

Executed on: \_\_\_\_\_



# Home Is Possible MCC Program Manual

## MCC SUBMISSION COVER SHEET – STEP 2 NEVADA HOUSING DIVISION

Step 2 forms are due within 15 days after closing or MCC will be cancelled.

Lender:	_____	Loan Officer:	_____
Best Contact:	_____	Email:	_____
Lender Phone:	_____		
MCC Commit #:	_____	MCC Expire Date:	_____
Applicant:	_____	Applicant 2:	_____
Taxpayer ID:	_____	Taxpayer ID 2:	_____
Subject Property Address:	_____		
City:	_____	Zip:	_____
		County:	_____

**Step 2 Checklist** :The following documents must be submitted in order to receive issuance of MCC. Any incomplete forms will result in denial of the MCC.

FOR ISSUANCE OF MCC:

- Reaffirmation of Applicant
- Affidavit of Seller
- Certificate of Lender/Closing Affidavit
- Final Closing Disclosure & Final Settlement Statement
- Notice of Potential Recapture
- MCC Payment (Check or Money Order made to Nevada Housing Division)

As applicable, the following fee/fees must be submitted with the MCC Submission Package which is payable by check or money order payable to Nevada Housing Division.

- [\$795] MCC Program Fee\*
- [\$395] Discounted MCC Program Fee if combined with HIP DPA
- [\$25] MCC Resubmission Fee
- [\$50] MCC Extension Fee
- [\$75] Late Submission Fee

\* The MCC Program Fee is waived for Applicants that are veterans or are on active military duty or currently in the U.S. National Guard or a surviving spouse.

ALL DOCUMENTS MUST BE SIGNED AND CERTIFIED TRUE AND CORRECT. COPIES ARE ACCEPTABLE.



# Home Is Possible MCC Program Manual

## REAFFIRMATION OF APPLICANT

(To be executed at the time of Closing)

Applicant:	_____	Applicant 2:	_____
Loan Amount:	_____		
Subject Property Address:	_____		
City:	_____	Zip:	_____
Lender:	_____	County:	_____
Best Contact:	_____	Loan Officer:	_____
	_____	Lender Phone:	_____

I hereby reaffirm that the statements and information contained in the Affidavit of Applicant which I executed in connection with the Nevada Housing Division Mortgage Credit Certificate Program on the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_, including, without limitation, the computation of the Acquisition Cost of the Residence and the computation of Anticipated Annual Family Income, were true, accurate and complete when made and remain true, accurate, complete and unchanged.\*

SIGNATURE OF APPLICANT

SIGNATURE OF APPLICANT 2

\_\_\_\_\_

\_\_\_\_\_

NAME OF APPLICANT

NAME OF APPLICANT 2

TAXPAYER ID NUMBER

TAXPAYER ID NUMBER 2

EXECUTION DATE

\*If the Acquisition Cost of the Residence or the Applicant's Anticipated Annual Family Income have changed, the Lender must have the Applicant re-execute the Affidavit of Applicant.



# Home Is Possible MCC Program Manual

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## AFFIDAVIT OF SELLER

Applicant: \_\_\_\_\_ Applicant 2: \_\_\_\_\_  
Loan Amount: \_\_\_\_\_  
Subject Property Address: \_\_\_\_\_  
City: \_\_\_\_\_ Zip: \_\_\_\_\_ County: \_\_\_\_\_  
Lender: \_\_\_\_\_ Loan Officer: \_\_\_\_\_  
Contact: \_\_\_\_\_ Telephone: \_\_\_\_\_

The undersigned, the proposed Seller (whether one or more) of a Residence located in the Eligible Loan Area described below (the “Residence”) to the above Applicant for which a Mortgage Credit Certificate is being sought under Nevada Housing Division Mortgage Credit Certificate Program, does hereby depose and say, under penalty of perjury, that each of the following statements are true, correct and complete in all respects:

1. *Location of Residence.*

The Residence is located within the geographic area of the State of Nevada at:

Subject Property Address: \_\_\_\_\_  
City: \_\_\_\_\_ Zip: \_\_\_\_\_ County: \_\_\_\_\_

2. *New Mortgage.*

At no time prior to the date hereof has there been a mortgage on the Residence (whether in the form of a deed of trust, conditional sales contract, pledge, agreement to hold title in escrow or other form of owner financing) securing a loan to the above Applicant, the proposed purchase of the Residence, other than a construction loan, construction bridge loan or other temporary initial construction financing initially incurred for the sole purpose of acquiring the Residence and initially incurred within 24 months from the date of execution of the Loan and having an original term not exceeding 24 months.

3. *Acquisition Cost.*

(a) The Residence is (check one):

- a newly constructed Residence which has never been occupied; or
- an existing Residence which has been occupied previously; or
- incomplete or under construction; or
- located on leased land.



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The "Acquisition Cost" to the Applicant (as determined in accordance with the Worksheet attached hereto) is \$ \_\_\_\_\_. I understand the term "Acquisition Cost" includes: (a) all amounts paid either in cash or in kind, by the Applicant (or by a related party or for the benefit of the Applicant) to me (or to a related party or for my benefit) as consideration for the Residence; (b) if the Residence is incomplete, the reasonable cost of completing it; and (c) if the Residence is being purchased subject to a ground lease, the capitalized value of the ground rent. I understand further that "Acquisition Cost" does not include: (i) settlement and financing costs (such as title and transfer fees, title insurance, survey fees, credit reference fees, legal fees, appraisal fees and points paid by the Applicant (but not points paid by me) and other similar costs) but only to the extent that such amounts do not exceed the usual and reasonable settlement and financing costs for a home mortgage loan in this area; or (ii) the value of any services to be performed by the Applicant or the Applicant's family members (include the Applicant's brothers, sisters, spouse, lineal descendants and lineal ancestors only) to complete the Residence; or (iii) the cost of the land on which the Residence is located if the Applicant owned such land at least two years prior to the commencement of the construction of the Residence.

(b) The Worksheet attached hereto sets forth an accurate calculation of the "Acquisition Cost" of the Residence to the Applicant.

4. *Verification*.

I understand the above Lender, the Internal Revenue Service, the Nevada Housing Division, or their authorized representatives, may conduct investigations in order to verify the truth and completeness of the statements set forth herein. I hereby agree to provide access to such information, including my records pertaining to the Residence, as may be necessary in connection with such verification procedure.

5. *Penalty*

I/WE DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT.  
. I UNDERSTAND THAT PERJURY IS A FELONY OFFENSE PUNISHABLE BY FINE OR IMPRISONMENT OR BOTH

SIGNATURE OF SELLER:

SIGNATURE OF SELLER:

\_\_\_\_\_  
  
\_\_\_\_\_

\_\_\_\_\_  
  
\_\_\_\_\_

Executed on: \_\_\_\_\_



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## WORKSHEET 4-SELLER STATEMENT OF ACQUISITION COST

1. Amount paid for the Residence, in cash or in kind, by Applicant to the Seller (including any amount which Seller is required to pay as a real estate commission or loan discount points): \$ \_\_\_\_\_
  
2. Amount paid for the Residence, in each or in kind, by Applicant or any person related to the Applicant or by any person for the benefit of Applicant, to Seller or any person related to Seller or for Seller's benefit (other than the amount set forth above): \$ \_\_\_\_\_
  
3. If the Residence is incomplete or unfinished the estimated cost of completing it, including the cost of any necessary alterations or improvements. (Specify the nature of such alterations or improvements): \$ \_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_
  
4. If the Residence is located on leased land the capitalized value (using a discount rate equal to the interest rate borne by the Loan) of the ground rent: \$ \_\_\_\_\_
  
5. Total ACQUISITION COST: \$ \_\_\_\_\_



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## CERTIFICATE OF LENDER CLOSING AFFIDAVIT

Applicant: \_\_\_\_\_ Applicant 2: \_\_\_\_\_  
 Loan Amount: \_\_\_\_\_  
 Subject Property Address: \_\_\_\_\_  
 City: \_\_\_\_\_ Zip: \_\_\_\_\_ County: \_\_\_\_\_  
 Lender: \_\_\_\_\_ Loan Officer: \_\_\_\_\_  
 Contact: \_\_\_\_\_ Telephone: \_\_\_\_\_

I, the authorized officer of the Lender named above, do hereby certify, represent and warrant to the Nevada Housing Division (the "Issuer") that:

1. All terms used herein shall have the meanings attributed to them in the Program Manual for the Issuer's Mortgage Credit Certificate Program unless a different meaning is specifically defined herein or is required by the context in which the term appears.
2. I have read the Affidavit of Applicant, the Closing Affidavit, the Tax Return Affidavit and the Affidavit of Seller, if applicable (collectively, the "Affidavits"), which were executed in connection with the Mortgage Credit Certificate Application made by the above Applicant and submitted to the Issuer. Prior to the execution of such documents, I reviewed the contents thereof with the Applicant, and if applicable, the closing agent.
3. I have reviewed the credit analysis worksheet, or similar document, prepared in connection with the Loan. The worksheet accurately reflects the information the Lender has obtained concerning the monthly gross income of the Applicant, and the Lender has complied with the requirements of the Program Manual and the Lender Participation Agreement in verifying the accuracy of such information.
  - (a) Based upon Worksheet One attached to the Affidavit of Applicant, to the best of the Lender's knowledge and belief the Applicant's Anticipated Annual Family Income is \$ \_\_\_\_\_
4. The Nevada Housing Division is the Issuer of the MCC.
5. I have conducted or have caused to be conducted an investigation regarding the truth of the facts set forth in said Affidavits, the nature of which investigation is as follows: [DESCRIBE DETAILS OF INVESTIGATION]

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_





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***NOTE: Paragraph 6 below shall be deleted in its entirety in the case of an Applicant (i) who is acquiring a Residence in a Targeted Area or (ii) is a Qualified Veteran.***

6. The investigation described in paragraph 5 hereof complies with the requirements of the Program Manual and the Lender Participation Agreement, and such investigation included an examination of copies of income tax returns for the past three years provided by the Applicant which were filed with the Internal Revenue Service (or tax account information letters from the Internal Revenue Service covering such years), and the returns or information furnished indicated that during the preceding three years the Applicant did not claim deductions for Real Estate taxes or interest on indebtedness with respect to the real property constituting a Principal Residence of the Applicant. If the Applicant was not required to file a federal income tax return for all of the three years preceding the execution of the Loan, the Lender is to make sure that the Tax Return Affidavit executed by the Applicant states that fact.
7. No facts have come to my attention as a result of said investigation or otherwise which would cause me to disbelieve or doubt the truth of the Affidavits, or any portion of any of such Affidavits.
8. The Loan is secured by a valid lien on a Residence which to the knowledge of the Lender is occupied by or is to be occupied by the Applicant as his or her Principal Residence, is made in accordance with the Program Manual and the Lender Participation Agreement, and is not for the purpose of refinancing any existing loan on any such property (other than a construction period loan, construction bridge loan, or similar temporary initial construction financing initially incurred for the sole purpose of acquiring the Residence and initially incurred within 24 months of execution of the Loan and having an original term not exceeding 24 months).
9. The fees and charges collected by the Lender for the Loan are in compliance with the Program Manual and the Lender Participation Agreement. The amounts collected by the Lender to reimburse the Lender for reasonable and customary charges paid or incurred for hazard or mortgage insurance premiums, survey, title insurances, appraisal fees, abstract and attorneys' fees, recording or registration charges, escrow fees, file preparation fees, application fees, credit reports, and similar charges do not exceed the reasonable and customary amounts charged by the Lender for mortgage loans not made in connection with the Program.
10. To the best knowledge of the Lender, the Applicant has not conveyed the Applicant's right, title or interest to or in the property to any party other than a trust for the benefit of such mortgagor and/or members of such Applicant's immediate family.
11. No portion of the financing of the Residence has come from the proceeds of qualified mortgage bonds or qualified veterans' mortgage bonds.
12. I DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT. I UNDERSTAND THAT PERJURY IS A FELONY OFFENSE PUNISHABLE BY FINE OR IMPRISONMENT OR BOTH.
13. All capitalized terms used in this Certificate of Lender and not otherwise defined herein have the meanings attributed to them in the Program Manual distributed by the Issuer in connection with the Program.





# Home Is Possible MCC Program Manual

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## NOTICE OF POTENTIAL RECAPTURE

TO BE COMPLETED BY LENDER AND DELIVERED TO APPLICANT AT THE TIME OF CLOSING OF THE LOAN

### INTRODUCTION

1. *General.*

When you sell your home you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any references in this notice to the “sale” of your home also include other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

2. *Exceptions.*

In the following situations, no recapture tax is due and you do not need to do the calculations:

- (a) You dispose of your home later than nine years after you close your mortgage loan;
- (b) Your home is disposed of as a result of your death;
- (c) You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under Section 1041 of the Internal Revenue Code; or
- (d) You dispose of your home at a loss.

3. *Maximum Recapture Tax.*

The maximum recapture tax that you may be required to pay as an addition to your federal income tax is \$ \_\_\_\_\_ [insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan]. This amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

4. *Actual Recapture Tax.*

The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (1) 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your recapture amount determined by multiplying the following three numbers:

- (a) \$ \_\_\_\_\_ [insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan] (the maximum recapture tax, as described in paragraph B above),
- (b) The holding period percentage, as listed in Column 1 in the attached Table, and
- (c) The income percentage, as described in paragraph D below.

For purposes of convenience, current recapture tax calculations are included behind the attached Table.



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### 5. *Income Percentage.*

You calculate the income percentage as follows:

- (a) *Subtract* the applicable *adjusted qualifying income* in the taxable year in which you sell your home, as listed in Column 2 in the attached Table, *from* your *modified adjusted gross income* in the taxable year in which you sell your home. Your modified adjusted gross income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments:
  - (i) your adjusted gross income must be increased by the amount of any interest that you receive or accrue in the taxable year from tax-exempt bonds that is excluded from your gross income (under Section 103 of the Internal Revenue Code); and
  - (ii) your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.
- (b) If the amount calculated in (a) above is zero or less, you owe no recapture tax and do not need to make any more calculations. If it is \$5,000 or more, your income percentage is 100%. If it is greater than zero but less than \$5,000, it must be divided by \$5,000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is \$1,000/\$5,000, your income percentage is 20%.

### 6. *Limitations and Special Rules on Recapture Tax.*

- (a) If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.
- (b) If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence on the site of the home financed with your original subsidized mortgage loan.
- (c) In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for them based on their interests in the home.
- (d) If you repay your loan in full during the nine-year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in Section 143(m)(4)(C)(ii) of the Internal Revenue Code.
- (e) Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when you sell or otherwise dispose of your home to determine the amount, if any, of your actual recapture tax. See Section 143(m) of the Internal Revenue Code generally.



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### Recapture Table

**Effective June 1, 2016**

**County: Clark**

		Adjusted Qualifying Income Non-Targeted Area	
Date You Sell Your Home	Holding Period Percentage	Family Size: 2 of Less	Family Size: 3 or More
Before the first Anniversary of closing	20%	\$62,243.00	\$71,580.00
On or after the first anniversary of closing, but before the second anniversary of closing.	40%	\$65,355.15	\$75,159.00
On or after the second anniversary of closing, but before the third anniversary of closing.	60%	\$68,622.91	\$78,916.95
On or after the third anniversary of closing, but before the fourth anniversary of closing.	80%	\$72,054.05	\$82,862.80
On or after the fourth anniversary of closing, but before the fifth anniversary of closing.	100%	\$75,656.76	\$87,005.94
On or after the fifth anniversary of closing, but before the sixth anniversary of closing.	80%	\$79,439.59	\$91,356.23
On or after the sixth anniversary of closing, but before the seventh anniversary of closing.	60%	\$83,411.57	\$95,924.05
On or after the seventh anniversary of closing, but before the eighth anniversary of closing.	40%	\$87,582.15	\$100,720.25
On or after the eighth anniversary of closing, but before the ninth anniversary of closing.	20%	\$91,961.26	\$105,756.26



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### Recapture Table

**Effective June 1, 2016**

**County: Washoe**

		Adjusted Qualifying Income Non-Targeted Area	
Date You Sell Your Home	Holding Period Percentage	Family Size: 2 of Less	Family Size: 3 or More
Before the first Anniversary of closing	20%	\$70,769.00	\$81,384.00
On or after the first anniversary of closing, but before the second anniversary of closing.	40%	\$74,307.45	\$85,453.20
On or after the second anniversary of closing, but before the third anniversary of closing.	60%	\$78,022.82	\$89,725.86
On or after the third anniversary of closing, but before the fourth anniversary of closing.	80%	\$81,923.96	\$94,212.15
On or after the fourth anniversary of closing, but before the fifth anniversary of closing.	100%	\$86,020.16	\$98,922.76
On or after the fifth anniversary of closing, but before the sixth anniversary of closing.	80%	\$90,321.17	\$103,868.90
On or after the sixth anniversary of closing, but before the seventh anniversary of closing.	60%	\$94,837.23	\$109,062.34
On or after the seventh anniversary of closing, but before the eighth anniversary of closing.	40%	\$99,579.09	\$114,515.46
On or after the eighth anniversary of closing, but before the ninth anniversary of closing.	20%	\$104,558.04	\$120,241.23

Recapture Tax Tables for targeted areas and counties other than Washoe and Clark will be provided by the Nevada Housing Division.



### Nevada Housing Division Recapture Tax Reimbursement Policy

NHD will reimburse an eligible homeowner to whom it issued an MCC if the homeowner incurred and paid a recapture tax liability. The reimbursement is conditioned on the following specific requirements:

#### Specific Requirements

1. The original loan to which the MCC relates must be outstanding at the time of sale. NHD will not reimburse the homebuyer if the loan had been previously extinguished by any form of refinance or new loan.
2. The reimbursement request must be submitted by July 15 of the calendar year immediately following the calendar year in which the home is sold and the recapture is reported on the homebuyer(s)' federal tax return.
3. NHD will reimburse only the amount of the recapture tax. NHD will not reimburse penalties or interest owed by the homebuyer(s).
4. The information on the homebuyer(s)' federal tax return for the calendar year of disposition must be true and correct.

#### How the reimbursement process works

The homebuyer (s) must provide NHD with the following documentation to begin the reimbursement process:

1. A completed Request for Recapture Tax Reimbursement form (Available on NHD website or by borrower request to NHD);
2. A copy of the signed federal tax return, including IRS Form 8828 (Recapture of Federal Mortgage Subsidy) for the year in which the home was sold or otherwise disposed of;
3. A copy of the signed Closing Disclosure issued in connection with the disposition of the home;
4. An original signed IRS Form 4506 (Request for Copy of Tax Return) completed by each person listed as a borrower under the mortgage loan documents, permitting NHD to request federal tax returns, including





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IRS Form 8828. NHD will pay any fees associated with the IRS 4506 form which is required as part of the reimbursement process;

5. Proof that the recapture tax was paid by the homebuyer (cancelled check and/or bank statement, etc.) or proof in the form of an IRS printout that borrower was still refunded monies even after reporting Recapture Tax on the tax return.

The Request for Reimbursement package, with all documentation listed above should be mailed to:

Nevada Housing Division  
Attn: Homebuyer Program  
1830 College Parkway #200  
Carson City, NV 89706

NHD will make every effort to process information within a sixty (60) day time frame.

The reimbursement check will be made payable to the original homebuyer(s) listed on the MCC.

### **Tax Information**

THIS NOTICE SHOULD NOT BE CONSTRUED AS TAX ADVICE. REIMBURSEMENT MAY BE TAXABLE INCOME TO MCC HOLDER IN THE YEAR RECEIVED. YOU WILL BE ISSUED AN IRS 1099 FORM (MISCELLANEOUS INCOME) FROM NHD FOR THE AMOUNT OF THE RECAPTURE TAX CLAIMED. PLEASE CONSULT TAX ADVISOR FOR FURTHER INFORMATION.



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Please acknowledge your receipt of a copy of this notice by signing below.

\_\_\_\_\_  
Applicant Signature

\_\_\_\_\_  
Applicant 2 Signature

\_\_\_\_\_  
Applicant Printed Name

\_\_\_\_\_  
Applicant 2 Printed Name



# Home Is Possible MCC Program Manual

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## Glossary

As used in this Program Manual, the following words and terms have the meanings set forth below:

*“Acquisition Cost”* - The cost to an Applicant of acquiring a Residence from the Seller as a completed residential unit, including: (i) all amounts paid, either in cash or in kind, by the Applicant (or a related party or for the benefit of the Applicant) to the Seller (or a related party or for the benefit of the Seller) as consideration for the Residence; (ii) if the Residence is incomplete, the reasonable cost of completing it, whether or not such cost is to be financed with the Loan; and (iii) if the Residence is purchased subject to a ground lease, the capitalized value of the ground rent calculated using a discount rate authorized by the Internal Revenue Service. *“Acquisition Cost”* does not include:

(i) usual and reasonable settlement and financing costs (including title and transfer fees, title insurance, survey fees, credit reference fees, legal fees, appraisal expenses, points paid by the Applicant (but not points paid by the Seller) and other similar costs), but only to the extent that such amounts do not exceed the usual and reasonable costs which would be paid by the Applicant in a case in which financing is not assisted by the issuance of an MCC or provided through the issuance of tax exempt bonds (for example, if the Applicant agrees to pay more than a pro rata share of property taxes, such excess shall be treated as part of the Acquisition Cost); (ii) the value of services performed by the Applicant or members of the Applicant’s family (including brothers, sisters, spouse, lineal ancestors and lineal descendants only) in completing the Residence; and (iii) the cost of land which has been owned by the Applicant for at least two years prior to the date on which construction of the Residence begins. This term is more fully described on Worksheet Two to the Affidavit of Applicant and in the Affidavit of Seller, if applicable.

*“Acquisition Cost Limits”* - As new Average Area Purchase Price figures are determined, the Acquisition Cost Limits will equal 90% of the Average Area Purchase Price applicable to the size of the Residence for Non Targeted Areas and 110% of the Average Area Purchase Price applicable to the size of the Residence for Targeted Areas. The Maximum Purchase Price tables can be found on page 4 of this manual. The determination whether the Residence meets the applicable Acquisition Cost Limit shall be made as of the date of the issuance of the MCC. These limits are subject to adjustment at any time. Any revisions of the aforesaid Acquisition Cost Limits by NHD or may rely upon average area purchase price limitations published by the Treasury Department, any successor thereof, or as may be provided in Section 143 of the Code, for the statistical area in which the Residence is located.

*“Act”* - Chapter 319 of the Nevada Revised Statutes, as amended, of the State of Nevada, as amended.



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*“Adjusted Gross Income”* - With respect to a person, the adjusted gross income of such person (as set forth on the appropriate line of the federal income tax return filed by such person with the Internal Revenue Service or, in the case of a person not required to file such a return, as evidenced by cancelled salary checks, wage statements or such other information as may be acceptable to the Lender and NHD), together with the Adjusted Gross Income of all persons who intend to reside with such person in one dwelling unit (based on similar evidence), for the tax year immediately preceding the date of issuance of the MCC.

*“Affidavit”* - An affidavit filed in connection with the Program made under oath and subject to the penalties of perjury and the civil penalties provided therein.

*“Applicant”* - Any person or persons: (i) whose Anticipated Annual Family Income does not exceed the Income Limits; (ii) who intends to occupy the Residence to be financed with a Loan as his or her Principal Residence within a reasonable period (not to exceed 60 days) following the issuance of the MCC; (iii) who (except in the case of an Applicant who is obtaining a Targeted Area Loan or who is a Qualified Veteran) has not had a present Ownership interest in a Principal

Residence at any time during the three-year period ending on the date of issuance of the MCC;

(iv) who has not had an existing mortgage (including a deed of trust, conditional sales contract, pledge, agreement to hold title in escrow or any other form of owner-financing), whether or not paid off, on the Residence to be financed with such Loan at any time prior to the execution of the Loan, an existing mortgage securing a construction period loan, bridge loan or similar temporary financing

initially incurred for the sole purpose of acquiring the Residence and initially incurred within 24 months of execution of the Loan and having an original term not exceeding 24 months; and (v) who meets the criteria set forth in this Program Manual.

*“Average Area Purchase Price”* - With respect to any Residence the safe harbor average area purchase price of all single family residences in the statistical area in which the Residence being financed is located which were purchased during the most recent twelve month period for which information is provided pursuant to Section 143(e) of the Code. The Average Area Purchase Prices are subject to adjustment at any time. The Average Area Purchase Prices for the Eligible Loan Area in effect at implementation of the Program are as follows:



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County	NON-TARGETED	TARGETED AREA
Carson City Municipality	\$270,000	\$330,000
Churchill	\$255,573	\$312,368
Clark	\$271,084	\$331,325
Douglas	\$330,723	\$404,217
Mineral	\$255,573	\$312,368
Storey	\$306,867	\$375,060
Washoe	\$306,867	\$375,060
Elko, Eureka, Nye, Lyon Esmeralda, Humboldt, White Pine	\$255,573	\$312,368

*“Certificate Limit”* – means, with respect to each election to not issue qualified mortgage bonds in lieu of issuing mortgage credit certificates, the maximum aggregate amount of MCC.

*“Certified Indebtedness Amount”* - The amount of the Loan which is subject to the mortgage credit provided by the MCC. *The Certified Indebtedness Amount on the reissued MCC may not exceed the outstanding balance of the Loan associated with the existing MCC.*

*“Closing or Closing Date”* - The funding of a Loan by the Lender and the execution and delivery by the Applicant of all documents in connection therewith. *“Closed”* means a Loan for which a Closing has occurred.

*“Code”* - The Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Program.

*“Division”* - Nevada Housing Division, its successors and assigns, whose address is 1830 College Parkway, #200, Carson City, NV 89706.



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*“Eligible Loan Area”* - The geographic area in the state of Nevada.

*“Existing Housing”* - A single family dwelling unit that has been occupied prior to execution of the Loan commitment.

*“FHA”* - The Federal Housing Administration of the United States Department of Housing and Urban Development, or other agency or instrumentality created or chartered by the United States to which the powers of the Federal Housing Administration have been transferred.

*“FHA Insurance”* - The insurance on mortgage loans presently issued by FHA under the National Housing Act of 1934, as amended, pursuant to one of the following FHA Insurance programs:

- (a) FHA Section 203(b), Home Unsubsidized;
- (b) FHA Section 203(b)(2), Veterans Status; or
- (c) FHA Section 234(c), Condominium Ownership.

*“GNMA”* - The Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, whose powers are prescribed generally by Title III of the National Housing Act of 1934, as amended (12 U.S.C., §1716 *et seq.*), its successors and assigns.

*“Income Limits”* - The Anticipated Annual Family Income of an Applicant. Maximum Household Income limits can be found on page 5 of this manual. The Income Limits are subject to adjustment at any time.

*“Lender”* - An institutional lender regulated by state or federal law, or any other entity which in its regular course of business makes mortgage loans which would qualify for MCC assistance and is authorized to do business in the Eligible Loan Area.

*“Loan”* - A conventional, FHA-insured, VA-guaranteed or RHS-guaranteed mortgage loan to finance the purchase of an eligible dwelling unit which meets the requirements set forth in this Program Manual and has a rate of interest that is fixed to maturity.

*“MCC” or “Mortgage Credit Certificate”* - A Mortgage Credit Certificate issued pursuant to the terms and conditions of the Program, the form of which attached hereto as *Exhibit C*.

*“MCC Commitment Letter”* - A letter executed by NHD, the form of which is attached hereto as *Exhibit B*.

*“Mortgage”* - The written instrument securing the related Loan and encumbering a Residence.



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*"Mortgage Credit Certificate Rate"* - For purposes of this Program, a 20 percent rate which may be changed by NHD with written direction to the Lenders upon any increase in the Certificate Limit or otherwise.

*"New Housing"* - A single family dwelling unit that is proposed to be constructed, currently under construction, or existing but not previously occupied.

*"Non-Targeted Area"* - An area in the Eligible Loan Area other than a Targeted Area.

*"Ownership"* - Ownership by any means, whether outright or partial, including property subject to a mortgage or other security interest, including a fee simple ownership interest, a joint ownership interest by joint tenancy, tenancy in common, or tenancy by the entirety, an ownership interest in trust, a life estate interest, a purchase by a land contract or contract for deed. The term does not include: (i) a remainder interest; (ii) a lease with or without an option to purchase; (iii) a mere expectancy to inherit an interest; (iv) the interest that a purchaser of a Residence acquires on the execution of a purchase contract; and (v) an interest in other than a Principal Residence. This term is more fully described in paragraph 6 of the Affidavit of Applicant. An Ownership interest in a mobile home or other factory-made housing which was permanently affixed to real property owned by the Applicant constitutes Ownership in a Principal Residence.

*"Principal Residence"* - A Residence that, depending on all the facts and circumstances (including the good faith intent of the occupant), is occupied primarily for residential purposes. Principal Residence does not include a home used as an investment property or a recreational home, or a home that is used primarily in a trade or business (as evidenced by the use of more than 15 percent of the total floor space in a trade or business). The Applicant may not claim, with respect to the Residence, any deductions pursuant to Section 280A of the Code for expenses incurred in connection with the business use of a home.

*"Prohibited Mortgage"* - A Prohibited Mortgage is any mortgage financed in whole or in part with the proceeds of qualified mortgage bonds or qualified veterans' mortgage bonds.

*"Program"* - Nevada Housing Division 2016 Mortgage Credit Certificate Program.

*"Program Documents"* - This Program Manual, including all instructions and forms attached thereto, and the Lender Participation Agreement by and among each Lender and NHD, each as amended from time to time.

*"Program Manual"* - Nevada Housing Division 2016 Mortgage Credit Certificate Program Manual, as revised and amended from time to time.



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*“Qualified Appraiser”* - An individual or firm acceptable to FHA and NHD.

*“Qualified Condominium Unit”* - A condominium unit meeting the requirements of the GNMA Guide and which is acceptable to FHA.

*“Qualified MCC”* - An MCC meeting all of the requirements of the Code and Regulations applicable to the Program.

*“Qualified Veteran”* - An Applicant who is a “veteran” (as defined in 38 U.S.C. Section 101) who has not previously obtained a Mortgage Credit Certificate or a loan financed by single family mortgage revenue bonds utilizing the veteran exception set forth in Section 416 of the Tax Relief and Health Code Act of 2006.

*“Regulations”* - The applicable proposed, temporary or final Treasury Regulations promulgated under the Code (or any prior version thereof), as such regulations may be amended or supplemented from time to time.

*“Residence” or “Home”* - A residential unit which is located within the Eligible Loan Area, including a condominium unit, if such unit is a Qualified Condominium Unit, but not a two-, three- or four-family residence and ownership is fee simple and land appurtenant to the residential unit, (i) which is designed and intended primarily for residential housing, (ii) which will be occupied by the Applicant as his or her Principal Residence within a reasonable period (not to exceed 60 days) following the issuance of the MCC, (iii) which unit is permanently affixed to land, (iv) the Acquisition Cost of which does not exceed the Acquisition Cost Limits for the area within which the residence is located, and (v) which appurtenant land is not in excess of one acre and which land reasonably maintains the basic livability of the residence and does not provide other than incidentally, a source of income to the Applicant, including child care services on a regular basis for compensation. A Residence does not include rental houses or vacation homes. A Residence includes a manufactured home only if it has a minimum of 400 square feet of living space and a minimum width in excess of 102 inches and which is of a kind customarily used at a fixed location. The term “Residence” does not include recreational vehicles, campers and other similar vehicles.

*“RHS”* - The Rural Housing Service of the United States Department of Agriculture, its successors and assigns.

*“RHS Guaranty”* - A guaranty of a Loan pursuant to the RHS Single Family Housing Guaranteed Loan Program.

*“Seller”* - With respect to a Loan, the seller of the Residence being financed with such Loan. *“State”* - The State of Nevada.





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*“Submission Package”* - The affidavits, certificates and supporting documentation which the Lender agrees to submit to NHD in connection with an application for the issuance of an MCC, more particularly described in Section G hereof.

*“Targeted Area”* - A census tract in which 70 percent or more of the families have an income which is 80 percent or less of the statewide median family income, or an area designated as an area of chronic economic distress. Such areas are not subject to the prior home ownership restriction. The initial Targeted Areas in the Eligible Loan Area are the geographical areas set forth in Exhibit D attached hereto.

*“Targeted Area Loan”* - A Loan to provide financing for the purchase of a Residence which is located in a Targeted Area.

*“Targeted Area Residence”* - A Residence which is located in a Targeted Area.

*“Tax Certificate”* - The ad valorem tax certificate or statement evidencing that the Residence is located within the Eligible Loan Area.

*“VA”* - The Department of Veterans Affairs, an agency of the United States of America, or any successor to its functions.

*“VA Guaranty”* - A guaranty of a Loan by VA pursuant to the provisions of the Servicemen’s Readjustment Act of 1944, as amended.