

**STATE OF HAWAII
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION**

MORTGAGE CREDIT CERTIFICATE PROGRAM

Section 25 of the Internal Revenue Code authorizes “issuers” to issue Mortgage Credit Certificates (“MCC”) in lieu of qualified mortgage bonds. The State of Hawaii’s Hawaii Housing Finance and Development Corporation (“HHFDC”) is an issuer of MCCs. HHFDC intends to implement a \$19.5 million MCC program approximately 90 days after the date of publication of this notice.

The MCC Program provides homeownership opportunities for qualified households through a federal income tax credit. The MCC can help first-time homebuyers qualify for a mortgage loan by increasing their buying power at their current income. MCCs entitle an eligible borrower to a direct tax credit against the eligible borrower’s federal income tax liability, making more income available both to qualify for a mortgage loan and to make the monthly mortgage payments.

The MCC can be applied to most types of mortgage loans for new or existing single family dwellings, including townhouse/condominium and manufactured homes.

MCC ELIGIBILITY REQUIREMENTS:

Borrowers interested in participating in the HHFDC’s Mortgage Credit Certificate Program must meet the following eligibility requirements/criteria:

1. **Residence Requirement:** The borrower must use the residence as the borrower’s principal residence within a reasonable time (sixty days) after loan closing and the borrower must notify the HHFDC or Participating Lender if the residence ceases to be the borrower’s principal residence.
2. **3-Year Requirement:** The borrower cannot have had any ownership interest in a principal residence at any time during the preceding three year period prior to the date on which the mortgage on the residence in connection with which an MCC is provided is executed. The 3-year no prior ownership requirement does not apply to loans made in targeted areas as defined under the Program.
3. **Purchase Price Requirement:** The acquisition cost of the residence cannot exceed the following:

<u>County</u>	<u>New Construction or Existing</u>
Honolulu	\$732,692
Maui	\$729,230
Kauai	\$714,231
Hawaii	\$571,153

The above limits apply only to fee simple, fully completed units. Leasehold residences and uncompleted units are subject to certain adjustments in determining their “acquisition cost” as

defined by the Internal Revenue Service. The purchase price requirement may be (1) increased by the HHFDC for mortgage loans made in targeted areas; or (2) increased or decreased by the HHFDC pursuant to Internal Revenue Service guidelines.

<u>Income Limits:</u> <u>County</u>	<u>Families of</u> <u>2 or less</u>	<u>Families of</u> <u>3 or more</u>
Honolulu	\$123,600	\$144,200
Maui	\$107,160	\$125,020
Kauai	\$98,880	\$115,360
Hawaii	\$88,080	\$102,760

The income limits may be (1) increased by the HHFDC for mortgage loans in targeted areas; or (2) increased or decreased by the HHFDC pursuant to Internal Revenue Service Guidelines.

4. New Mortgage Requirement: An MCC cannot be issued in conjunction with the acquisition, replacement or refinancing of an existing mortgage. However, the MCCs can be used in conjunction with the replacement of construction period loans, bridge loans, or similar financing of a temporary nature with a term of twenty-four (24) months or less. An MCC must be issued to a borrower who did not have a mortgage on the residence with respect to which the MCC is issued at any time prior to the execution of the mortgage.
5. Prohibited Mortgages: An MCC cannot be issued in connection with the acquisition of a residence for which the financing of the residence is provided from the proceeds of (1) a qualified mortgage bond or (2) a qualified veterans' mortgage bond.
6. Interest Paid to Related Persons: Interest on the amount of the indebtedness which is incurred by the borrower to acquire the borrower's residence must not be paid to a related person.

METHODS BY WHICH MCCS ARE ISSUED:

The MCC is applied for at the time the borrower makes a formal application for a home loan. Borrowers may apply for a loan with any lender but MCCs are only available through Participating Lenders. If, based on the information provided by the Participating Lender, a borrower is determined to be eligible, HHFDC will commit to issuing an MCC to the borrower. Commitments will be made on a first come, first served basis to the extent MCCs remain available. Assuming no material changes between the commitment and the loan closing, and upon receipt of an acceptable MCC closing package which shall include the MCC program fees of \$400 (\$300 to HHFDC and \$100 to the participating lender), HHFDC will issue the MCC to the borrower after the closing date of the mortgage loan. No MCC will be issued prior to 90 days of publication of this notice or after the date that all of the MCCs have been allocated and, in no event, later than the date permitted by federal tax law. Current Participating Lenders are as follows:

American Savings Bank
Bank of America, N.A.
Bank of Hawaii
Castle & Cooke Mortgage, LLC
Central Pacific Bank
CUSO of Hawaii Services, LLC
DHI Mortgage
Envoy Mortgage Ltd.
First Hawaiian Bank
Guild Mortgage Company
Hawaii HomeOwnership Center
Hawaii State Federal Credit Union
HawaiiUSA Federal Credit Union

Hawaiian Tel Federal Credit Union
HomeStreet Bank
Honolulu Homeloans, Inc.
House of Finance, Inc.
Island Mortgage, LLC
Mann Mortgage, LCC
Mason-McDuffie Mortgage Corporation
Pacific Access Mortgage
Point Financial, Inc.
Stellar Capital, Inc.
Territorial Savings Bank
Wells Fargo Bank N.S.

Additional mortgage lenders may elect to participate in the MCC Program. Any lender who wishes to participate in the MCC Program can contact the HHFDC, as shown below to request an application form and learn about the requirements for participating in the MCC Program.

The lender providing the financing can establish the interest rate, loan term, down payment requirement, credit and underwriting criteria, loan type, mortgage insurance requirement, fees, points, closing costs and all other loan terms. MCCs can be used in conjunction with conventional fixed rate loans, variable rate loans, FHA and VA loans and privately insured loans.

Borrowers who are interested in obtaining an MCC may contact any Participating Lender. For further information, the borrower may call the HHFDC at (808) 587-0567, visit our website at www.hawaii.gov/dbedt/hhfdc or write to us at:

Hawaii Housing Finance and Development Corporation
677 Queen Street, Suite 300
Honolulu, Hawaii 96813
Attention: Finance Branch

Please be advised that the HHFDC does not provide tax advice. Should you have any questions about how your taxes will be affected as a result of participating in the MCC Program, please consult with your tax accountant or the IRS.

HHFDC does not discriminate against any person because of race, color, religion, sex, including gender identity or expression, sexual orientation, disability, familial status, ancestry, age, marital status, or HIV infection.

If access or communication assistance and/or services (e.g., large print, taped materials, sign language interpreter, or translator) are required, please contact the HHFDC's Departmental Personnel Office at (808) 586-2562 or by email at steven.s.sung@hawaii.gov.

This notice is published in satisfaction of the requirements of Section 25 of the Internal Revenue Code of 1986, as amended and (i) Treasury Regulation Section 1.25-7T as to providing reasonable public notice of the eligibility requirements for MCCs and the methods by which they

are issued, and (ii) Treasury Regulation Section 1.25-3T(j)(4) regarding maintaining a list of participating lenders.

