



Homebuyer Tax Credit Loan Program Description

Background

For more information on the federal homebuyer tax credit, visit <http://www.irs.gov/newsroom/article/0,,id=204671,00.html>.

Last updated January 4, 2010

Program Description:	The Tax Credit Loan Program was developed by MassHousing to increase the sale of residential properties in Massachusetts to first-time homebuyers by taking advantage of recent tax changes and turning a tax credit into cash that can be used to fund the purchase of a new home.
Effective Date:	Consumers applying for a MassHousing mortgage loan may be eligible for the Tax Credit Loan Program.
Eligible Borrowers:	First-time homebuyers obtaining a first mortgage from MassHousing through an approved lender. THE TAX CREDIT LOAN IS <u>ONLY</u> AVAILABLE WHEN USED IN CONJUNCTION WITH A MASSHOUSING MORTGAGE LOAN. According to federal standards, the Borrower must maintain the home as a principal residence for a minimum of three years. However, all MassHousing loan products require owner occupancy for the life of the first mortgage loan.
Income Limits:	The lesser of MassHousing's income limits (which are based on the size of the household and the city or town where the property is located) or the federal Adjusted Gross Income limits established for this program, which are between \$125,000 and \$145,000 for a single person, and \$225,000 and \$245,000 for joint filers.
Eligible Uses:	Funds can be used for the downpayment and/or closing costs associated with the purchase of the home. A second lien will be placed on the property securing this loan.
Eligible Property:	1-4 family properties including condominiums. (Property purchased must be from a source unrelated to borrower. For example, the property cannot be from a spouse, parent, grandparent, child, or be acquired by gift or inheritance.)
Loan Amount:	The lesser of 10% of the purchase price of the home or \$8,000. The Tax Credit Loan, when combined with the first mortgage, may not result in cash back to the Borrower.
Purchase & Close Dates	<p>Eligible borrowers must buy or enter into a binding contract to buy a principal residence on or before April 30, 2010, and close on the home by June 30, 2010.</p> <p>For qualifying purchase in 2010, borrowers have the option of claiming the credit on either their 2009 or 2010 tax return.</p>
Interest Rate:	Fixed at the prevailing interest rate of the first mortgage loan that the Borrower receives from MassHousing.

Loan Term:	The loan may be repaid, without interest, at any time until June 1, 2011. If the loan is not repaid by this date, regular principal and interest payments will commence on July 1, 2011 and run for a period of 10 years.
Underwriting Guidelines:	Standard MassHousing underwriting guidelines will be followed. Amortizing the Tax Credit Loan will be incorporated into the underwriting decision to prevent "payment shock" to the Borrower if the loan is not repaid in full by June 1, 2011.
Maximum Loan-to-Value:	Up to 100%.
Borrower contribution:	\$1,000 of borrower's own funds.
Credit score:	Standard MassHousing credit score standards will apply. Currently, depending on loan type, property type, and loan-to-value, credit scores range from 620-720.
Total Debt-to-Income Ratio:	41%
Maximum combined LTV:	105%
Exclusions:	No other subordinate mortgage (i.e., loans) may be used in combination with this tax credit loan. Grant funds (funds received with no repayment requirement) may be used with the Tax Credit Loan.
Prepayment:	The second mortgage loan is due in full if the first mortgage loan is paid off after July 1, 2011, assumed, or refinanced. There is no prepayment penalty.
Documents:	All standard MassHousing documents are required plus IRS Form 5405, Second Mortgage Note, Mortgage and the Borrower's signed Information Statement and Affidavit.
Participating Lenders:	<p>A list of Lenders approved to participate in the Tax Credit Loan Program is available on masshousing.com and will be updated regularly.</p> <p>The program is open to all lenders that have completed training provided by MassHousing. Lenders wishing to be trained can refer to the MassHousing Lender Training Calendar for a schedule of upcoming trainings.</p>