

City and County of San Francisco
Mayor's Office of Housing
Gavin Newsom, Mayor



**Refinance of Subprime Loans and
Purchase of Short Sale or Bank Owned REO Property
MCC Program Guidelines (REFI MCC)**

The City and County of San Francisco-Mayor's office of Housing received a special Mortgage Credit Certificate (MCC) allocation of \$9.8 million dollars under the 2008 Housing Assistance Tax Act to help families at risk of foreclosure, protect home values and to stabilize the housing market. This Act provides families with a vehicle to refinance sub-prime loans and gives first time homebuyers an incentive to purchase a short sale or Bank Owned "REO" property.

The MCC Program operates as an IRS tax credit. With an MCC, the qualified homeowner becomes eligible to take a federal income tax credit of 15% of the annual interest paid on the mortgage each year for as long as the homeowner lives in the same home. This credit reduces the federal income taxes of the homeowner, resulting in an increase in the buyer's net earnings and the buyer's capacity to qualify for a larger mortgage loan.

A Homeowner/buyer who has used an MCC to finance their property may be subject to recapture tax if they sell their home within 9 years. The recapture tax requires the MCC holder to repay a portion of their MCC credit to the federal government if their sale meets certain requirements. Please visit the MOH website for more detailed information on the recapture tax: http://www.sfgov.org/site/moh_page.asp?id=48040.

How do I apply?

MCC applications must apply through the [MCC Participating Lenders](#). Application fee is \$400. In addition to the regular MCC requirements, the following eligibility requirements have been added for this special allocation.

ELIGIBILITY FOR REFINANCE OF SUBPRIME LOANS

Qualified Sub-Prime loan is defined as an "adjustable-rate single family residential mortgage loan made after December 31, 2001 and before January 1, 2008.

- Home must be primary residence and owner-occupied
- Meet Income Limits
- Homeowner may not be a previous MCC holder

- Have an adjustable-rate single-family (single-family means detached single-family houses, condominiums and townhouses) residential mortgage loan made after December 31, 2001 and before January 1, 2008
- Must demonstrate that the homeowner is suffering financial hardship (DTI ratio must exceed 45% with original mortgage)
- Liquid Assets cannot exceed \$25,000 at the time of application.
- Refinance mortgage must be a 30-year or 40-year fixed rate, fully amortizing loan
- Refinance mortgage limit is the super conforming loan amount (\$625,500)
- Have sufficient income to support the new mortgage payments.
- Refinance properties must be single-family homes, condominiums and townhouses within the City and County of San Francisco.
- Meet Purchase Price Limits
- Must attend a first time homebuyer workshop from a participating housing counseling agency
- Purchase price requirement will be applied based on the “market value” of the property at the time of refinancing, based upon a current fair market appraisal report.

ELIGIBILITY FOR PURCHASE OF SHORT SALE OR BANK OWNED “REO” PROPERTY

- Home must be primary residence and owner-occupied
- Meet Income Limits
- Meet Purchase Price Limits
- Purchase of a short sale or bank owned “REO” single-family home, condominium and townhouse within the City and County of San Francisco
- Must be a first time homebuyer - have not had an ownership interest in a principal residence within the last 3 years
- Must attend a first time homebuyer workshop from a participating housing counseling agency

Maximum income limits

	Non-Target Area	Target Area
1 or 2 person	\$135,720	\$135,720
3 or more person	\$158,340	\$158,340

Maximum Purchase Price Limits

	Non-Target Area	Targeted Area
Existing Home	\$696,118	\$850,810
New Home (<i>Not previously owned</i>)	\$601,950	\$735,716

Targeted Areas

The following census tract numbers are designated as Targeted Areas under MCC Program, if you have an address, you can find out whether it is in a targeted area, to enter the address and get a census tract number or tract code, visit the following website: <http://www.ffiec.gov/geocode/default.htm>.

North Beach	107, 113, 114, 115, 118
North of Market	117, 124, 125
South of Market	607
Western Addition	161
Bayview / Hunters Point	231
Visitacion Valley	605

Application Procedures

To apply for the program, please contact any of our [MCC Participating Lenders](#). Application fee is \$400. The MCC application is made in conjunction with application for mortgage loan to refinance or purchase the home. The MCC application must be approved prior to close of escrow on the home purchase.

In addition to the regular MCC require documents; please also provide the following documents:

REFINANCE OF SUBPRIME LOANS

- Original Note with adjustable-rate loan made after December 31, 2001 and before January 1, 2008
- Signed and dated 1003 form
- 1008 form
- A copy of the buyer's credit report;
- Financial Hardship letter from borrower;
- Commitment or Approval letter from lender.
- Fair Market Value Appraisal

PURCHASE OF SHORT SALE OR BANK OWNED "REO" PROPERTIES

- Ratified Purchase Agreement and Short Sale approval by the Bank
- Preliminary Title Report
- Fair Market Value Appraisal
- MLS Statement

We are not tax advisors. If you have any questions about how your taxes will be affected, consult your tax accountant or call the IRS at 1 (800) 829-3676.