

NOTICE
OF MORTGAGE CREDIT CERTIFICATE PROGRAM
VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Section 25 of the Internal Revenue Code of 1986 (the “Code”) authorizes issuers of qualified mortgage bonds to issue Mortgage Credit Certificates (“MCC”) in lieu of qualified mortgage bonds. Virginia Housing Development Authority (“VHDA”) is an issuer of qualified mortgage bonds and, pursuant to Section 25 of the Code, intends to implement a \$726,899,300 MCC program approximately 90 days after the date of publication of this notice. This program is the 2019-A Mortgage Credit Certificates Program, referred to in this notice simply as the “MCC Program.”

MCCs issued through the MCC Program will provide homeownership opportunities for qualified households through a federal income tax credit. Eligible borrowers who obtain an MCC through this program will be entitled to a direct tax credit against their federal income tax liability, which would make more of their income available to make their monthly mortgage payments in those years when they have a federal income tax liability.

MCCs issued through the MCC Program can be applied to most types of mortgage loans for new or existing single-family dwellings, including townhouses, condominiums and manufactured homes.

ELIGIBILITY REQUIREMENTS

Borrowers interested in participating in the MCC Program must meet the following eligibility requirements and criteria:

1. **Residence Requirement:** The borrower must use the residence as the borrower’s principal residence within a reasonable time (not more than 60 days) after loan closing and the borrower must notify VHDA if the residence ceases to be the borrower’s principal residence.
2. **Three-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 three-year no ownership requirement does not apply to loans made in federal targeted areas as defined under the MCC Program.
3. **Purchase Price and Income Requirement:** The acquisition cost of the residence and the household income of the borrower cannot exceed limits imposed by the Code and by

VHDA. For an explanation of these limits, please go to www.vhda.com/MCC. VHDA may increase the acquisition cost limits and the income limits for mortgage loans in federal targeted areas. VHDA may also increase or decrease the acquisition cost limits and the income limits pursuant to IRS guidelines.

4. New Mortgage Requirement: An MCC cannot be issued in conjunction with the acquisition, replacement or refinancing of an existing mortgage. However, 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 24 months or less. With the exception of such temporary financing, an MCC can only 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 any portion of the financing of the residence is provided from the proceeds of either qualified mortgage bonds or qualified veteran's bonds.

6. Interest Paid to Related Persons: Interest on the amount of the indebtedness that is incurred by the borrower to acquire the borrower's residence must not be paid to a related person.

METHODS BY WHICH MCCS WILL BE ISSUED UNDER THE MCC PROGRAM

The MCC is applied for at the time the borrower makes a formal application for a home loan with a lender who is participating in the MCC Program (a "Participating Lender"). If, based on the information provided by the Participating Lender, VHDA determines a borrower is eligible for an MCC, VHDA will issue an MCC Commitment to the Participating Lender for the borrower. If between the time such MCC Commitment is issued and the loan closing there is no change that would affect the eligibility of the borrower and the mortgage loan for an MCC, and if VHDA timely receives an acceptable post-closing MCC package from the Participating Lender, which shall include an administrative and review fee for MCCs issued with respect to loans that are not being purchased by VHDA, VHDA will issue to the borrower an MCC under the MCC Program. The Participating Lender, in both cases, will be allowed to charge fees up to \$250 for each MCC application processed. For loans not purchased or originated by VHDA, VHDA charges an administrative fee of \$750.

The MCC Commitments described above will be issued on a first come, first served basis, with only those borrowers who VHDA has determined are fully eligible for an MCC being counted. Pursuant to the Code, a portion of the MCC Program will be set aside for federal targeted areas, so it is possible some MCCs will be available for those federal targeted areas

after the supply of MCCs for the rest of Virginia has been allocated. No MCC will be issued under the MCC Program prior to 90 days after publication of this notice. No MCC will be issued after the available supply in the MCC Program is exhausted, as determined by VHDA. There are additional deadlines imposed by the Code and by VHDA after which no MCC will be issued under the MCC Program and if the supply of MCCs has not run out by the time those deadlines approach, VHDA will inform all Participating Lenders to cease taking applications for MCCs prior to those deadlines.

Borrowers who are interested in obtaining an MCC may contact any Participating Lender. The list of Participating Lenders is available at www.vhda.com/MCC (updated as lenders become qualified). Additional lenders may apply to become Participating Lenders by contacting VHDA at the contact information below to request an application and to learn about the requirements. The MCC Program will not dictate or require Participating Lenders to offer any particular interest rate, loan term, down payment, credit or underwriting criteria, mortgage insurance, fees, points, closing costs, or, with exception of the requirements listed above, loan types or other loans terms.

VHDA does not provide tax advice. Should you have any questions about how your taxes will be affected by using an MCC, please consult your tax advisor, accountant, or the IRS. VHDA does not discriminate on the basis of race, religion, color, sex, national origin, age, disability, sexual orientation, gender identity, political affiliation, veteran status, or any other basis prohibited by state law.

Contact information for all inquiries:

www.vhda.com/MCC

Telephone Number: 804-343-5750

Virginia Housing Development Authority
Attn: MCC Department
601 South Belvidere Street
Richmond, Virginia 23220

This notice is published to satisfy the requirements of Section 25 of the Code 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.