**WHO IS ADFA?**  
*Housing Finance Authority*

<table>
<thead>
<tr>
<th>1985</th>
<th>ENABLING LEGISLATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established State Agency</td>
<td>Authorize to borrow money and issue bonds for Affordable Housing, various business &amp; economic development projects, and capital improvements for state agencies.</td>
</tr>
</tbody>
</table>

**NO**  
State General Revenue
ADFA PROGRAMS

ADDI
SECOND MORTGAGE

DPA
SECOND MORTGAGE

MOVE-UP+
FIRST MORTGAGE

MCC+
TAX CREDIT

Available: Stand Alone
MOVE-UP

ADFA First Mortgage Program Features
**MOVE-UP**

*Program General Guidelines*

First Lien - 30 Year Fixed Mortgage Program:
VA, RD, FHA, HFA Conventional Less than 80% AMI & Conventional Greater 80% AMI

Follow Conforming Loan Limits for each program guidelines

**NEW!** Maximum Borrower’s Qualifying Income Limits $137,000
Starting February 24, 2020.

Non-Occupant Co-Borrowers allowed with FHA Loans only
Single Family Detached, Townhomes, & Condos allowed

Follow Product Guidelines from each program: Looking for **ACCEPT** Recommendation, on LPA; and **APPROVE/ELIGIBLE**, on DU.
**MOVE-UP**

Program General Guidelines

- **No 1st Time Homebuyer Requirement:** Primary Residence only

- **Authorized Lender** received the rate daily & make the loan reservation:
  - Reservations made from 9:00am to 7:00pm; working business days only

- **Down-payment Assistance Programs** are stackable: ADDI or DPA, and MCC.

- **Manufactured Housing** allowed for FHA, VA & RD Loans

- **Loan Funding Fee** ($200) & Tax Servicing Fee ($71.50)
  - BOTH: *netted* at purchase by Master Servicer.

**Lender’s have the options to charge an Origination Fee of 1.00%**
## MOVE-UP: Program General Guidelines

<table>
<thead>
<tr>
<th>MOVE-UP, FIRST MORTGAGE</th>
<th>FHA</th>
<th>VA</th>
<th>RD</th>
<th>HFA ADVANTAGE CONVENTIONAL 95 or 97%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median Credit Score</strong></td>
<td></td>
<td></td>
<td></td>
<td>NEW! All programs: 640</td>
</tr>
<tr>
<td><strong>Max DTI</strong></td>
<td></td>
<td></td>
<td></td>
<td>45%</td>
</tr>
<tr>
<td><strong>Underwriting</strong></td>
<td>LPA or DU</td>
<td>DU</td>
<td>GUS</td>
<td>LPA only</td>
</tr>
<tr>
<td></td>
<td><strong>No Manual Underwriting</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>No first-time Homebuyer Requirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ADFA down payment assistance programs available: ADDI, DPA, or Mortgage Credit Certificate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest Rate is the same: Regardless of Credit Score/Lender/Down Payment/Loan Amount, etc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Two HFA Conventional options:</strong> Lower MI than other Conventional Loans, and it’s available as a stand-alone product</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash Back</strong></td>
<td>DPA: POC Items + $100 available at Closing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ADDI: POC Items, no cash back</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# HOMEBUYER EDUCATION CLASS for ADFA programs

<table>
<thead>
<tr>
<th>ADFA Homebuyer Education Course Requirement</th>
<th>One Borrower</th>
<th>Both Borrowers</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any Loan + ADDI</td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>HFA Advantage Conventional + DPA</td>
<td>✔️</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FHA + DPA</td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>VA + DPA</td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>RD + DPA</td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
</tbody>
</table>

*Course must be completed by at least one borrower, if all are first time homebuyers by Freddie Mac guidelines.
Follow each program's specific guidelines to meet compliance.
HFA ADVANTAGE

Freddie Mac:

Two HFA Conventional Loan Options
# HFA Advantage Conventional

## Program General Guidelines

<table>
<thead>
<tr>
<th>Maximum Rations</th>
<th>97% LTV ; 105% TLTV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Score</td>
<td>640</td>
</tr>
<tr>
<td>Debt-To-Income</td>
<td>Maximum is 45%</td>
</tr>
<tr>
<td>Underwriting</td>
<td>LPA (No Manual Underwriting permitted)</td>
</tr>
<tr>
<td>Restrictions</td>
<td>Max Income Limits $97,720, Conforming Loan Limits, Primary Residence Only, Lower Interest Rate, Lower Mortgage Insurance, No First Time Homebuyer Requirement</td>
</tr>
<tr>
<td>Two Options</td>
<td>“Move-Up Conventional Less Than 80% AMI”, “Move-Up Conventional Greater Than 80% AMI”</td>
</tr>
</tbody>
</table>
HFA Conventional Loan Options

Borrowers must qualify based on Income

“Move-Up” Conventional
Greater than 80% AMI
Greater than 80% AMI

“Move-Up” Conventional
Less than 80% AMI
At or Below 80% AMI

AMI = Area Medium Income

- Borrowers qualifying income above 80% AMI
- Slightly Higher Interest Rate
- Standard Mortgage Insurance required. See, Section 4701

- Borrowers qualifying income at or below 80% AMI
- Lower Interest Rate
- Allow minimum MI coverage (chartered)
HFA Conventional Loan Options

Borrowers must qualify based on Income

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>&quot;Move-Up&quot; Conventional</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.375%*</td>
<td>Greater than 80% AMI</td>
</tr>
<tr>
<td>3.750%*</td>
<td>Less than 80% AMI</td>
</tr>
</tbody>
</table>

* Interest Rate on February 26, 2020

Greater than 80% AMI

At or Below 80% AMI
Freddie Mac: Conventional Loan
Home Possible Income and Property Eligibility Tool

A copy of this screen will need to be included in the post-closing checklist, including:
• Property Address
• Income Limits
Instructions for Entering a Home Possible Advantage® for HFA (HFA Advantage) loan into Loan Product Advisor.

Select “Home Possible Advantage for HFA (eligible users only)” in the “Offering Identifier” field within the “Mortgage Type and Loan Terms” section of Loan Product Advisor. See screen below. If using a Loan Origination Software (LOS) system, please contact them to verify what field and value to enter. Some LOS systems may have you enter “251”.

### Optional: Offering Identifier - 251 (Home Possible Advantage for HFAs)
Credit & Liabilities

<table>
<thead>
<tr>
<th>CODE</th>
<th>MESSAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>JX</td>
<td>If all borrowers are first-time homebuyers or the credit reputation for all borrowers is established using only Noncredit Payment References, at least one borrower must participate in a homeownership education program or Freddie Mac's financial literacy curriculum, CreditSmart(R). Refer to Section 5103.6 for complete requirements.</td>
</tr>
</tbody>
</table>

General Messages

<table>
<thead>
<tr>
<th>CODE</th>
<th>MESSAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>TW</td>
<td>Loan Product Advisor Assessment Expiration Date for JOHN S LLKHEKJUA is 03/20/2018.</td>
</tr>
<tr>
<td>K9</td>
<td>$39,000.00 is the Area Median income for the address submitted.</td>
</tr>
<tr>
<td>S1</td>
<td>The loan submitted as a Home Possible Advantage for HFA (HFA Advantage) mortgage, must be delivered by the HFA or its Master Servicer under the required Negotiated Commitment for HFA Advantage mortgages. The seller must ensure all HFA program and income eligibility requirements are met.</td>
</tr>
<tr>
<td>EW</td>
<td>Seller is responsible for documenting and underwriting all Mortgages in accordance with the requirements of the Single-Family Seller/Servicer Guide and/or Master Agreement.</td>
</tr>
<tr>
<td>4D</td>
<td>The net purchase price is calculated by subtracting the sales concessions from the gross purchase price.</td>
</tr>
<tr>
<td>NU</td>
<td>Loan submitted as Home Possible Advantage for HFA mortgage.</td>
</tr>
</tbody>
</table>
MORTGAGE INSURANCE COVERAGE:
CONVENTIONAL LESS THAN 80% AMI

<table>
<thead>
<tr>
<th>LTV</th>
<th>Standard Conventional</th>
<th>HomeReady Conventional</th>
<th>HFA Conventional Less than 80%AMI</th>
<th>HFA Conventional Greater than 80%AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>95.01 - 97.00%</td>
<td>35%</td>
<td>25%</td>
<td>18%</td>
<td>35%</td>
</tr>
<tr>
<td>90.01 – 95.00%</td>
<td>30%</td>
<td>25%</td>
<td>16%</td>
<td>30%</td>
</tr>
<tr>
<td>85.01 – 90.00%</td>
<td>25%</td>
<td>25%</td>
<td>12%</td>
<td>25%</td>
</tr>
<tr>
<td>80.01 – 85.00%</td>
<td>12%</td>
<td>12%</td>
<td>6%</td>
<td>12%</td>
</tr>
</tbody>
</table>

HFA Conventional Less than 80% AMI Benefits:

- Lower down payment required
- Conventional monthly mortgage insurance automatically ends when the LTV drops to 78%.
- Single Premium coverage is Life of Loan with no additional cost.
- Lower monthly payments for HFA Advantage can result in substantial savings over time.
**FREDDIE MAC: HFA ADVANTAGE**

**FHA & HFA Conventional Less than 80% AMI Comparison**

<table>
<thead>
<tr>
<th></th>
<th>FHA* 96.5% LTV Rate 5.625% **Upfront $ monthly MI</th>
<th>HFA Advantage 97% LTV Rate 5.875% Borrower paid monthly MI</th>
<th>HFA Advantage 97% LTV Rate 5.875% Non-refundable single premium (2.25%) paid by the borrower or use HFA DPA or closing cost assistance funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Down Payment</strong></td>
<td>$6,125</td>
<td>$5,250</td>
<td>$5,250</td>
</tr>
<tr>
<td><strong>Down Payment Savings</strong></td>
<td></td>
<td>$875</td>
<td>$875</td>
</tr>
<tr>
<td><strong>Monthly Payment</strong></td>
<td>$1,481</td>
<td>$1,474</td>
<td>$1,391</td>
</tr>
<tr>
<td><strong>Upfront MI</strong></td>
<td>1.75%</td>
<td>0.00%</td>
<td>1.77%</td>
</tr>
<tr>
<td><strong>Monthly MI Rate</strong></td>
<td>0.85%</td>
<td>***0.68%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>MI Term</strong></td>
<td>Life of Loan</td>
<td>Cancels at 78% LTV</td>
<td>Life of Loan, no other cost</td>
</tr>
<tr>
<td><strong>5-year Est. MI Cost</strong></td>
<td>$9,855</td>
<td>$5,760</td>
<td>$3,819</td>
</tr>
<tr>
<td><strong>Monthly Cost Savings (1 Year)</strong></td>
<td></td>
<td>$8</td>
<td>$104</td>
</tr>
</tbody>
</table>

**EXAMPLE:**
$175,000 purchase price; 700 FICO score; $400 monthly taxes and insurance; 30-year fixed-rate mortgage; 18% MI coverage; assumes 2% annual appreciation; FHA monthly premium declines about $2 per month on an annual basis over 5 years, and conventional loans receive 3% of down payment assistance.
ARKANSAS DREAM DOWN PAYMENT INITIATIVE (ADDI)

ADDI is down payment assistance provided through HOME funding by HUD.

ADDI
Arkansas Dream Down Payment Initiative
ADDI
Program Qualifications

1. 10% OF PURCHASE PRICES, UP TO $10,000

2. SOFT 2ND MORTGAGE (NO PAYMENTS): Forgivable after 5-year term

3. FUNDS QUALIFICATIONS: Down Payment, Closing Cost, and POCs

4. INCOME RESTRICTIONS BY COUNTY: see our website

5. NO 1ST TIME HOMEBUYER REQUIREMENT

6. PRIMARY RESIDENCE ONLY
ADDI
Program Qualifications

1. INCOME RESTRICTED: 80% Area Medium Income or Below

2. HOMEBUYER EDUCATION COURSE: due prior closing by both borrowers

3. HEALTH QUALITY & SAFETY INSPECTION: Additional Inspection required

4. 5 YEAR REQUIREMENT: Second Mortgage is forgivable, with no payments, after living in the property for 5 years
Arkansas Dream Down-payment Initiative

**INCOME RESTRICTED**: 80% Area Medium Income or Below

<table>
<thead>
<tr>
<th>COUNTY NAME</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27,000</td>
<td>30,850</td>
<td>34,700</td>
<td>38,550</td>
<td>41,650</td>
<td>44,750</td>
<td>47,850</td>
<td>50,900</td>
</tr>
<tr>
<td>Prairie</td>
<td>37,150</td>
<td>42,450</td>
<td>47,750</td>
<td>53,050</td>
<td>57,300</td>
<td>61,550</td>
<td>65,700</td>
<td>70,050</td>
</tr>
<tr>
<td>Pulaski</td>
<td>27,100</td>
<td>30,950</td>
<td>34,800</td>
<td>38,650</td>
<td>41,750</td>
<td>44,850</td>
<td>47,950</td>
<td>51,100</td>
</tr>
<tr>
<td>Randolph</td>
<td>27,000</td>
<td>30,850</td>
<td>34,700</td>
<td>38,550</td>
<td>41,650</td>
<td>44,750</td>
<td>47,850</td>
<td>50,900</td>
</tr>
<tr>
<td>St. Francis</td>
<td>37,150</td>
<td>42,450</td>
<td>47,750</td>
<td>53,050</td>
<td>57,300</td>
<td>61,550</td>
<td>65,800</td>
<td>70,050</td>
</tr>
<tr>
<td>Saline</td>
<td>27,000</td>
<td>30,850</td>
<td>34,700</td>
<td>38,550</td>
<td>41,650</td>
<td>44,750</td>
<td>47,850</td>
<td>50,900</td>
</tr>
<tr>
<td>Scott</td>
<td>27,000</td>
<td>30,850</td>
<td>34,700</td>
<td>38,550</td>
<td>41,650</td>
<td>44,750</td>
<td>47,850</td>
<td>50,900</td>
</tr>
</tbody>
</table>

- Household Income Limits at 80% of Median Income.
- Income is based on the number of household residents.
**ADDI**

Arkansas Dream Down-payment Initiative

**HOMEBUYER EDUCATION COURSE:** due prior closing by all borrowers

**HOMeloans. Arkansas.gov**

**PRE-PURCHASE HOMEBUYER EDUCATION CLASS**

If you are using the Arkansas Dream Down Payment Initiative (ADDI) or if you are a first-time homebuyer using an HFA Preferred Conventional mortgage with the ADFA Down Payment Assistance (DPA) Program to purchase a home, ADFA requires borrowers take a “Pre-Purchase Homebuyer Education Class” where a certificate will be issued upon completion.

Register Now
ADDI: HQS Inspection

Health Quality & Safety Inspection

**INSPECTION TIME:** 20-30 minutes maximum

**FEES:** ADFA will pay for Initial & Final Inspections (Max. 2)

**INSPECTORS:** ADFA will dispatch the inspectors, and realtors can pick their own inspector, with prior approval from ADFA (it can take up to 10 business days).

**INSPECTION:** ADFA dispatches the inspector once the compliance package has been reviewed and approved by ADFA—typically after appraisal comes in.
### ADDI: HQS Inspection
#### HUD Inspection Checklist

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Living Room (Continued)</th>
<th>Yes</th>
<th>No</th>
<th>Fail</th>
<th>In-Cense.</th>
<th>Comment</th>
<th>Final Approval Date (mm/dd/yyyy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.9</td>
<td>Load-Based Paint</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not Applicable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Are all painted surfaces free of deteriorated paint?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>If not, do deteriorated surfaces exceed two square feet per room and/or is more than 10% of a component?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Kitchen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Kitchen Area Present</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>Electricity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>Electrical Hazards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td>Security</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>Window Condition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.6</td>
<td>Ceiling Condition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.7</td>
<td>Wall Condition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>Floor Condition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.9</td>
<td>Load-Based Paint</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not Applicable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Are all painted surfaces free of deteriorated paint?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>If not, do deteriorated surfaces exceed two square feet per room and/or is more than 10% of a component?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PLEASE ALLOW UP TO 45 DAYS FOR CLOSING**
**ADDI: HQS Inspection**

**ADFA Process & Inspection Timeline**

1. **ADFA APPROVED LOAN**
   - **ADFA REQUEST 1ST INSPECTION**
   - Inspector has 5 business days to return inspection to ADFA
   - Inspector turns results to ADFA, and ADFA pays inspector

2. **ADFA RECEIVES 1ST INSPECTION**
   - **PASSED:** Inspection Approved, loan is good to close!
   - **FAILED:** 2nd Inspection will be required
   - **REPAIRS COMPLETED:** Realtor contacts Lender, and Lender contacts ADFA

3. **ADFA REQUEST 2ND INSPECTION**
   - **PASSED:** Repairs Approved, loan is good to close! (ADFA pays 2ND Inspection)
   - **FAILED:** TWO OPTIONS: Borrower can choose a new property or 3RD Inspection will be required (Not paid by ADFA or borrower)
ADDI: HQS Inspection

Most Common Avoidable Mistakes

**UTILITIES:** Utilities must be turned on.

**GFCI OUTLETS (Ground-Fault Circuit Interrupter):** Kitchen & bathrooms.

**WINDOWS:** Open/close properly and have window screens.

**SMOKE DETECTORS:** Installed prior inspection.

**OLD HOMES:** Health, Quality & Safety hazards will be/could be identify by the Inspector during inspection.
ADFA DOWN PAYMENT ASSISTANCE (DPA)

For many Arkansans, the largest obstacle to homeownership is saving for down payment and closing costs. In fact, this is a problem all too common among low to moderate income Arkansans who have little of their paycheck left after paying for rent, utilities, transportation, insurance and groceries. To help, the Arkansas Development Finance Authority (ADFA) created the Down Payment Assistance (DPA) Program.

DPA

Down Payment Assistance
DPA

Down Payment Assistance

1. FROM $1,000 UP TO $10,000
2. 10-YEAR AMORTIZATION TERM: 2\textsuperscript{nd} Repayable Mortgage
3. RATE: SAME AS 1\textsuperscript{ST} MORTGAGE: No First Time Homebuyer requirement
4. NO ADDITIONAL INSPECTIONS: Required by ADFA
5. NO HOUSEHOLD INCOME LIMIT
6. NO PURCHASE PRICE RESTRICTION (No Jumbo Loans)
7. FUNDS QUALIFICATIONS: Down Payment, Closing Cost, and POCs
ADDI & DPA

Program Comparison
## ADDI & DPA: Affordable 2nd Mortgages

<table>
<thead>
<tr>
<th></th>
<th>DPA</th>
<th>ADDI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount</strong></td>
<td>$1,000 to $10,000</td>
<td>10% of purchase price, up to $10,000</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td>10-Year Amortization, 2nd Mortgage</td>
<td>5-Year Forgivable, Soft 2nd Mortgage*</td>
</tr>
<tr>
<td><strong>Rate</strong></td>
<td>Matches 1st Mortgage</td>
<td>N / A</td>
</tr>
<tr>
<td><strong>ADFA Program</strong></td>
<td>Move-Up</td>
<td>Move-Up</td>
</tr>
<tr>
<td><strong>Homebuyer Education Course</strong></td>
<td>Program Guidelines</td>
<td>Requires Pre-Purchase Homebuyer Education Class</td>
</tr>
<tr>
<td><strong>Household Income Limits</strong></td>
<td>No Limits</td>
<td>80% Area Median Income or Below</td>
</tr>
<tr>
<td><strong>Inspection</strong></td>
<td>No Inspection</td>
<td>HQS Inspection Required +</td>
</tr>
<tr>
<td><strong>Principal Reduction</strong></td>
<td>Yes</td>
<td>Yes: Only on HFA Conventional from a 97% to a 95%</td>
</tr>
</tbody>
</table>

* No monthly payments. Pro-Rated over 60-months.

+ ADDI: Income verification needs to be approved before ordering HQS Inspection.
ADFA Programs Income Limits

Qualifying Income

$137,000* 

All Borrowers using any ADFA program are subject to:

Then Borrowers qualify for assistance based on each specific program income limits:

DPA: No Income Limit

HFA Conventional: At or below Freddie Mac 80% AMI

ADDI Household Income Limit: Under 80% HUD AMI by County

MCC Household Income Limit: Under MCC AMI by County

AMI = Area Median Income

*New Income Limit as 02/24/2020
ADFA MCC - MORTGAGE CREDIT CERTIFICATE

The Arkansas Development Finance Authority created its Mortgage Credit Certificate Program for the residents of Arkansas, to help make homeownership of new and existing homes more affordable for individuals and families with low to moderate income, especially first-time homebuyers.

MCC

Mortgage Credit Certificate
MORTGAGE CREDIT CERTIFICATE

Dollar-for-Dollar Federal Tax Credit

We are not Tax Professionals and cannot give tax advice. We will provide examples of how the MCC works. We recommend that borrowers seek the advice of a qualified tax professional when deciding whether to take advantage of an MCC.
MORTGAGE CREDIT CERTIFICATE

Dollar-for-Dollar Federal Tax Credit

EXAMPLE*: $7,000 MORTGAGE INTEREST

MCC might allow you to deduct up to 50% of the mortgage interest owed up to a maximum of $2,000.

50% you might use as a deduction, just as normal.

*This example is use for ADFA MCC Education purposes only and shall not be use as a guide or tax advice, for the MCC, or any other of our programs; and shall not represent the ADFA nor any of its employees. Please consult with a professional to see what best benefits your financial picture.
**MORTGAGE CREDIT CERTIFICATE**

*Without an MCC example:*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROSS INCOME</td>
<td>$50,000</td>
</tr>
<tr>
<td>MORTGAGE INTEREST DEDUCTION</td>
<td>$7,000</td>
</tr>
<tr>
<td>TAXABLE INCOME</td>
<td>$43,000</td>
</tr>
<tr>
<td>FEDERAL INCOME TAX &quot;Taxed @15%&quot;</td>
<td>$6,450</td>
</tr>
</tbody>
</table>

**Fictitious Scenario, this example is intended for education purposes only, must consult with Tax Professional for further advice.**
# Mortgage Credit Certificate

*With an MCC example:*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income</td>
<td>$50,000</td>
</tr>
<tr>
<td>Mortgage Interest</td>
<td>$3,500</td>
</tr>
<tr>
<td>Mortgage Interest Deduction</td>
<td>$7,000</td>
</tr>
<tr>
<td>Taxable Income (50% Deduction)</td>
<td>$46,500</td>
</tr>
<tr>
<td>Federal Income Tax</td>
<td>$43,000</td>
</tr>
<tr>
<td>&quot;Taxed @15%&quot;</td>
<td>$6,975</td>
</tr>
<tr>
<td>Federal Income Tax</td>
<td>$6,450</td>
</tr>
<tr>
<td>Max MCC Credit</td>
<td>$2,000</td>
</tr>
<tr>
<td>Total Taxes Due</td>
<td>$4,975</td>
</tr>
</tbody>
</table>

SAVED $1,475

**Fictitious Scenario, this example is intended for education purposes only, must consult with Tax Professional for further advice.**
MORTGAGE CREDIT CERTIFICATE

Dollar-for-Dollar Federal Tax Credit

Sample MCC Calculation

Amount of 1st Mortgage: $150,000.00
Interest Rate: 3.75%
First Year Interest Paid: $5,625.00
MCC Tax Rate - 50%
Amount of Benefit for the year: $2,812.50
**Max $2,000 allowed**: $2,000.00

Calendar Months Divided by 12 = Monthly Savings $166.66

**With a 50% MCC Rate the maximum amount of tax credit is $2,000.00 per year.**

Note: We recommend that borrowers seek the advice of a qualified tax preparer when deciding whether to take advantage of an MCC.
MORTGAGE CREDIT CERTIFICATE

Dollar-for-Dollar Federal Tax Credit

BORROWER MUST BE ONE OF THE FOLLOWING:
A. 1st Time Homebuyer (no primary residence ownership within last 3 years)
B. Purchasing home in a Targeted County
C. Be a Veteran or spouse of a Veteran

INCOME RESTRICTED: IRS Income restriction by County, and number of household occupants

PURCHASE PRICE LIMIT: $270,000
MORTGAGE CREDIT CERTIFICATE

Dollar-for-Dollar Federal Tax Credit

BORROWER MUST BE ONE OF THE FOLLOWING:
A. 1st Time Homebuyer (no primary residence ownership within last 3 years)
B. Purchasing home in a Targeted County
C. Be a Veteran or spouse of a Veteran

A. No own any piece of real estate within the last 3 years.

B. A targeted county is a qualified census track, or an area of chronic economic distress as designated by the IRS. If property is in a targeted county, the first-time homebuyer requirement does not apply.

C. Veterans who served in any military branch of the Armed Forces of the United States. Requires Form DD214 for verification.
## MORTGAGE CREDIT CERTIFICATE

**Dollar-for-Dollar Federal Tax Credit**

**INCOME RESTRICTED**: IRS Income restriction by County, and number of household occupants

### Income Limits by County and Household Size (Effective 06/01/2019)

<table>
<thead>
<tr>
<th>N=Non-Targeted</th>
<th>T=Targeted</th>
<th>2019 INCOME LIMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>COUNTY</td>
<td>1-MEMBER</td>
</tr>
<tr>
<td>N</td>
<td>Arkansas</td>
<td>$62,520</td>
</tr>
<tr>
<td>N</td>
<td>Ashley</td>
<td>$62,520</td>
</tr>
<tr>
<td>N</td>
<td>Baxter</td>
<td>$62,520</td>
</tr>
<tr>
<td>N</td>
<td>Benton</td>
<td>$69,900</td>
</tr>
<tr>
<td>N</td>
<td>Boone</td>
<td>$62,520</td>
</tr>
<tr>
<td>T</td>
<td>Bradley</td>
<td>$70,800</td>
</tr>
<tr>
<td>T</td>
<td>Calhoun</td>
<td>$70,800</td>
</tr>
<tr>
<td>N</td>
<td>Polk</td>
<td>$62,520</td>
</tr>
<tr>
<td>N</td>
<td>Pope</td>
<td>$64,320</td>
</tr>
<tr>
<td>T</td>
<td>Prairie</td>
<td>$70,800</td>
</tr>
<tr>
<td>N</td>
<td>Pulaski</td>
<td>$69,600</td>
</tr>
</tbody>
</table>
MORTGAGE CREDIT CERTIFICATE

Dollar-for-Dollar Federal Tax Credit

PURCHASE PRICE LIMIT: $270,000

We are not Tax Professionals and cannot give tax advice. We will provide examples of how the MCC works. We recommend that borrowers seek the advice of a qualified tax professional when deciding whether to take advantage of an MCC.
MORTGAGE CREDIT CERTIFICATE
Filing and Benefits

**SELF REPORTING TAX:** Borrower claims Tax Credit when they file their Form 1040 annually and must use Form 8396 to claim the credit.

Each county has an Income Limit that the household cannot exceed based on the size of the household.

Homebuyer can adjust federal withholdings to increase take home pay by $166 per month. Entered as “OTHER ADDITIONAL INCOME” on AUS.

**FREE** with ADFA Mortgage products
Stand-Alone MCC available: 1/2 Percent Issuance Fee
MORTGAGE CREDIT CERTIFICATE

MCC Recapture Tax Disclosure

ALL OF THE FOLLOWING MUST BE MET:

I. Your home is sold or disposed of within 9 years of being purchased, for reasons other than death; and

II. There is a capital gain on the sale of your home, and

III. Your household income for the year in which you sell your home exceeds federal recapture tax limits.

For more information regarding this provision, please contact the IRS or a tax professional.

MCC CAN’T reduce your Federal Income Tax if you don’t owe any taxes!
HOURS OF OPERATION:
8 AM to 5 PM, Central Time
Monday through Friday

BY TELEPHONE:
If you only want to make a payment by phone and do not need to speak to a customer service representative, select OPTION 1 from the phone menu. Please have your account information ready.
334.244.4350
866.339.2432 (Toll free)

BY FAX:
Please ensure your loan number is listed on your fax request. Customer Service: 334.271.3104

BY EMAIL: inquiries@servsol.com

TO ADDRESS A MORTGAGEE CLAUSE:
ServiSolutions, a division of the Alabama Housing Finance Authority
ISAOA ATIMA
P.O. Box 242967
Montgomery, AL 36124-2967

If you have any questions, email insurance@servsol.com.

ALL OTHER INQUIRIES:
P.O. Box 242967
Montgomery, AL 36124-2967

FOR DELIVERIES AND PAYOFFS:
7460 Halcyon Pointe Drive, Suite 200
Montgomery, AL 36117
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