MCC

PROCEDURAL MANUAL

ALABAMA HOUSING FINANCE AUTHORITY

CONTENTS

INTRODUCTION 4

SECTION I–DEFINITIONS 4

SECTION II—MORTGAGOR ELIGIBILITY EVALUATION 7

A. Income Restrictions 8
B. Ownership Interest 9
C. Manufactured Homes Ownership Interest 9
D. Occupancy 10
E. Residence Usage of Renting, Leasing, Assigning or Transferring Residence 10
F. Usage of Residence in Trade or Business 10
G. Residence Used for Investment Purpose 10
H. Residence Used as Vacation, Seasonal, Recreation or Second Home 10
I. Co-Signer/Non-Occupants and Guarantors 10
J. Legal Separation 10
K. Powers of Attorney for the Mortgagors 10
L. Title Restrictions 10

SECTION III—LOAN ELIGIBILITY EVALUATION 10

A. Permitted Encumbrances 10
B. Types of Loans 10
C. Amount of Mortgage Loan 11
D. Self-Builder/New Mortgage Requirements 11

SECTION IV—PROPERTY ELIGIBILITY EVALUATION 11

A. Eligible Loan Area 11
B. Qualifying Residences 11
C. Sales Price Limitations 11
D. Land 11
E. Computing Acquisition Cost of Land and Dwelling 12
F. Non-Allowable Acquisition Costs 12
G. Improvement to the Property 12
H. Leased Land 13
I. Foreclosures 13

SECTION V—TARGET AREAS 13

A. Counties 13
B. Entire Cities and Towns 13
C. Other Target Areas 13

SECTION VI—RESERVATION PROCEDURES 23

A. Online Reservation Procedure 23
B. Reservation Form 23
C. Reservation Document Delivery 23
D. Program Fees 24
E. Reservation Expiration Date 24

F. Cancellation of Reservation 24
G. Refund of Commitment Fee 24
H. Transfer of Reservation 24

SECTION VII—LOAN PROCESSING AND UNDERWRITING PROCEDURES 24

A. Calculation of the MCC 24
B. Eligible Mortgagor Affidavit 25
C. Request for Conditional Commitment Package 26
D. Request for Conditional Commitment 26
E. Conditional Commitment Expiration 30
F. Curative Request and Expiration 30

SECTION VIII—INCOME GUIDELINES 30

A. Salaried Mortgagors 30
B. Self-Employed Mortgagors 34
C. Non-Borrowing Spouses, Partners, All Other Occupants 18 Years or Older 35
D. Separated or Separating Spouses 35

SECTION IX—CLOSED LOAN PROCEDURES 36

A. Conditional Commitment 36
B. Verifications of Income 36
C. Seller Affidavit 36
D. Power of Attorney for Sellers 37
E. Settlement Statement Fees 37

SECTION X—LOAN DELIVERY 37

A. Review of the Mortgage Loan 37
B. Final Documentation 37
C. Issuance of the MCC 38
D. Revocation 38
E. Originator's Federal Reporting 38

SECTION XI—MORTGAGORS' UTILIZATION OF THE MCC 38

SECTION XII—MODIFICATIONS 39

SECTION XIII—RECAPTURE 39

SECTION XIV—RELATED PERSON DEFINITION 43

REQUIRED FORMS 44

INTRODUCTION

The Alabama Housing Finance Authority (the Authority), is a public corporation and an instrumentality of the State. It was organized pursuant to Title 24, Chapter 1A of the Code of Alabama, as revised. The Authority, a non-profit organization, was established as the housing entity for the state in 1980 and currently administers several housing programs such as the First Step Mortgage Revenue Bond Program, the Step Up Program, the Down Payment Assistance Program, the Habitat for Humanity Loan Purchase Program, the Low-Income Housing Tax Credit "LIHTC" and the HOME Program, as well as several specialty housing programs within the state of Alabama.

The Mortgage Credit Certificate (MCC) Program was authorized by Congress in the 1984 Tax Reform Act as a means of providing housing assistance to low and moderate income home buyers. The Authority has elected to allocate a part of its mortgage revenue bond authority to the MCC Program.

The Authority encourages all who believe they qualify to apply for a MCC. The Authority will not underwrite the loan from a credit standpoint. All underwriting and execution of certifications required by the Authority and the IRS regulations will be performed by the Originators. The Originator must decline those applications in which the applicant does not qualify under the requirements of the MCC Program.

The Originator obtains information to determine that the mortgagor, loan, and property meet the requirements as stated in Sections II, III, and IV of the MCC Procedural Manual. The Originator explains the program and its requirements to both the buyer and the seller.

The Originator makes a reservation of funds at *lenders.AHFA.com* and sends to the Authority the reservation package as stated in Section VI of the MCC Procedural Manual. The Originator sends to the Authority the Request for Conditional Commitment Package before closing as stated in Section IX of the MCC Procedural Manual. Upon approval of the MCC the Originator will receive from the Authority a conditional commitment. The Originator may then close the loan with the conditions listed on the conditional commitment being satisfied. The Originator must have the MCC approved by the Authority and close the loan before the reservation of funds expire.

After the loan closing, the Originator sends to the Authority the closed loan package as stated in Section VIII of the MCC Procedural Manual. Upon receipt and approval of the closed loan package, the Authority will issue the MCC as stated in Section X of the MCC Procedural Manual.

The purpose of the MCC Procedural Manual is to describe the program and to set forth the relevant Authority and federal regulations as well as to identify the respective roles of the Authority, the Originator, the potential mortgagors and the seller. Please utilize appropriate documents and appendices applicable to each MCC issue. The Authority reserves the right to update or revise the MCC Procedural Manual at any time.

SECTION I—DEFINITIONS

Affidavits: Written sworn statements made under oath to determine eligibility under the program.

Application Fee: A $200 non-refundable fee collected by the Originator.

Appraised Value: An appraisers' opinion of value based on regulations and guidelines established by the mortgage industry.

Authority: Alabama Housing Finance Authority, a public corporation and instrumentality of the State organized pursuant to Act No. 80-585 of the Alabama Legislature, or any successor to its duties.

Bond For Title (Deed): A contract to transfer property into the purchasers name only when the debt for the property is paid in full.

Capital Gain or Loss: The gain or loss arising from the sale or exchange of a capital asset.

Co-Signer: A person who will occupy the property being purchased and who will be secondarily liable for the mortgage loan.

Code: The Internal Revenue Code of 1986, as amended, and any rules or regulations promulgated thereunder.

Commitment Fee: A $500 fee to be paid to the Authority by an Originator at the time of Reservation of Funds.

Community Property Interest: A form of ownership under which property acquired during a marriage is considered to be owned jointly unless acquired as separate property of either spouse.

Co-Mortgagor/Non-Occupant: A relative that will not occupy or take title to the property being purchased and is signing the note and mortgage solely for the purpose of providing additional security.

Date of Closing: The date the Originator disburses funds under the note.

Date of Issuance: The date the certificate is issued by the Authority.

Depletion: A tax deductible expense reflecting the decrease of a depletable natural resource, such as oil or gas.

Depreciation: A sum representing presumed loss in the value of a building or other real estate improvements, resulting from age, physical wear, and economic or functional obsolescence and deducted annually from net income to arrive at taxable income.

Eligible Mortgagor: A person intending to purchase a principal residence to be financed with an MCC, who can meet all qualifications as established in Sections II, III & IV of this Procedural Manual.

Eligible Loan Area: The entire geographical area of the State of Alabama.

Equal Credit Opportunity Act (ECOA): A federal law that prohibits Originators from denying mortgages on the basis of the borrower's race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

Existing Property: A property which has been previously occupied or new properties more than one year old.

Fannie Mae: The Federal National Mortgage Association, or any successor thereto.

Fee Simple: The greatest possible interest a person can have in real estate, including the right to dispose of the property or pass it on to one's heirs.

FHA: The Federal Housing Administration of the Department of Housing and Urban Development of the United States of America, or any successor thereto.

First-Time Homebuyer: A buyer of a residence who has not had an ownership interest in a principal residence, as described in Section II of this Procedural Manual, at any time during the three-year period prior to loan closing.

Ginnie Mae: The Government National Mortgage Association, a entirely-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, whose powers are prescribed generally by Title III of the National Housing Act of 1932, as amended.

Ground Rent: The earnings of improved property allocated to the ground itself after allowance is made for earnings of the improvements. Also, payment for the use of land in accordance with the terms of a ground lease.

Guarantor: A promise by one party to pay debt or perform an obligation contracted by another in the event that the original obligor fails to perform as contracted.

Interest Held In Trust: Property held in trust until fulfillment of certain conditions are met.
Joint Tenancy Joint ownership by two or more person, giving each tenant equal interest and rights in the property, including

the right of survivorship.

IRS: The Internal Revenue Service.

Issuer: The Alabama Housing Finance Authority.

Joint Tenancy: Joint ownership by two or more persons, giving each tenant equal interest and rights in the property, including the right of survivorship.

Lease: A written document containing the conditions under which the possession and use of real and/or personal property are given by the owner to another for a stated period and for a dated consideration.

Life Estate: A freehold estate giving a beneficiary all property rights, except the right to sell. The estate is terminated upon the death of the beneficiary.

Maximum Family Income: An amount of income not to exceed the federal income limitation described in Section II of this Procedural Manual.

Maximum Sales Price Limit: An amount not to exceed the limitations described in Section IV of the Procedural Manual.

Mortgage: The instrument securing a mortgage loan which creates a lien on a residence subject only to Permitted Encumbrances.

Mortgage Credit Certificate or MCC: A certificate issued by the Authority pursuant to the Code which entitles the holder thereof to receive a federal income tax credit.

MCC Credit Range: A scaled rate between 20 percent and 50 percent, as published by AHFA on www.AHFA.com at the time of the MCC Reservation. The rate is based on loan amount.

Mortgage Documents: The documents specified for delivery to the Authority as stated in this Mortgage Revenue Bond Procedural Manual.

Mortgage Loan: Any loan evidenced by a Mortgage Note which is secured by the related Mortgage for financing the purchase of a residence.

Mortgage Note: The promissory note evidencing the obligation to repay a mortgage loan, payable to the order of an Originator, executed by a mortgagor to evidence obligation to repay the mortgage loan.

Mortgage Revenue Bond: A qualified mortgage revenue bond as defined in the Internal Revenue Code of 1986.

Mortgagor: The purchaser of a single-family residence who borrows funds to obtain a residence.

New Construction: Single-family residences less than one year old and never occupied.

Originators: Lending institutions that execute an Agreement with the Authority to participate in the Program.

Originator's Participation Agreement: The agreement dated April 1, 2009, among the Originator(s) and the Authority, and all amendments or supplements hereto and where appropriate, the Invitation, Notices of Acceptance, Questionnaire, Notice of Availability of Funds, MCC Procedural Manual, and all forms, appendices and reports prescribed by the Authority and provided herein.

Present Ownership Interest: Any form of ownership interest as described in Section II of this Procedural Manual.

Principal Residence: Housing which the eligible mortgagor intends to occupy as a primary residence and which is not to be used in a trade or business, or as an investment property.

Profit and Loss: A statement by a business reflecting a financial gain or loss for a given period.

Program Participation Fee: A fee to be set by the Authority for each series.

Proposed Construction: Property proposed to be constructed.

RD: Rural Development, a U.S. agency formerly known as the Farmers Home Administration.

RD Guaranty: A guaranty of a mortgage loan by Rural Development under the provisions of Subchapter III, Chapter 8A, Title 42, U.S. Code Annotated.

Remainder Interest: The property remainder of an estate after the termination of a prior estate; can have either a vested or contingent interest.

Reservation of Funds: Reserved funds equal to the mortgage loan amount for an eligible mortgagor.

Residence: A single-family, owner-occupied dwelling unit located within the Eligible Loan Area, including detached and attached units, condominiums, planned unit developments and manufactured homes which have a minimum of 400 square feet of living space and a minimum width of 102 inches and which is of a kind used at a fixed location, and meeting applicable Originator requirements.

Right of Redemption: A legally enforceable right provided by law permitting the mortgagor or owner to reclaim foreclosed property by making full payment of the mortgage debt or the foreclosure sales price, as applicable. The right of redemption exists for a one-year period of time known as the redemption period.

State: The State of Alabama.

Survivorship: The legal right of the survivor or persons having joint interest in property to take the interest of the person who is deceased.

Take-Out Loan: Any mortgage loan made for the purpose of paying a construction period loan, bridge loan or similar temporary initial financing which qualifies as such pursuant to Section III of this Procedural Manual.

Target Areas: Census tracts and areas of the State which constitute qualified census tracts or areas of chronic economic distress within the meaning of Section 143 of the Internal Revenue Code.

Tenancy: A holding of real estate under any kind of right of title. Used alone, tenancy implies a hold under a lease.

Tenancy in Common: The type of ownership created when real or personal property is granted to two or more persons, without express words creating a joint tenancy. There is no right of survivorship.

Tenancy by Entirety: The joint ownership of property by a husband and wife where both are viewed as one person under common law that provides for the right of survivorship.

Tenant Shareholder: Ownership whereby real property is held in the name of the shareholders rather than in the name of individual partners.

Total Acquisition Cost: Total cost to acquire the land and dwelling, including any improvements made to the residence during the first 12 months, and including any sums paid or to be paid to the seller by the mortgagor or anyone on behalf of the mortgagor, and as further defined in Section IV of the MCC Procedural Manual, and certified to by the mortgagor in the Eligible Mortgagor Affidavit.

VA: The Department of Veterans Affairs of the United States of America, or any successor thereto.

Zoning: The act of city or county authorities specifying the type of property use in specific areas.

SECTION II—MORTGAGOR ELIGIBILITY EVALUATION

A. ***Income Restrictions.*** The Authority has adopted a single set of income restrictions for the program, which are intended to satisfy the requirements of state and federal law. For mortgage loans made with respect to residences located in non-target areas, the annual family income of the mortgagor and all occupants 18 years or older may not exceed 115% (100% if the mortgagor has a family of fewer than three persons, including the mortgagor, who will be living in the residence) of the greater of the median income for the area or the median income for the State. For mortgage loans made with respect to residences located in target areas, the annual family income of the mortgagor may not exceed 140% (120% if the mortgagor has a family of fewer than three persons, including the mortgagor, who will live in the residence) of the greater of the median income for the area or the median income for the State. All target and non-target areas' income limits shall be capped at no more than 150% of the median income for the State. Annual family income must be determined as provided in Section VIII of this manual. The Authority may revise the income eligibility criteria in the future in a manner consistent with State and Federal law.

SCHEDULE OF MAXIMUM INCOME LIMITS

(Effective on purchase contracts executed after September 1, 2016)

	Maximum Family Income for Target Area Loans		**Maximum Family Income for Non-Target Area Loans**	
	Family Size of 3 or more	*Family Size of less than 3*	*Family Size of 3 or more*	*Family Size of less than 3*
Statewide *(except in areas listed below)*	$ 77,700	$ 66,600	$ 63,825	$ 55,500
Baldwin County	83,250	73,250	70,265	61,100
Birmingham Area *(Bibb, Blount, St. Clair, Shelby & Jefferson Counties)*	83,250	76,800	73,600	64,000
Coffee County	83,250	72,600	69,575	60,500
Dale County	80,640	69,120	66,240	57,600
Decatur Area *(Lawrence & Morgan Counties)*	78,680	67,440	64,630	56,200
Henry County	78,680	67,440	64,630	56,200
Huntsville Area *(Limestone & Madison Counties)*	83,250	83,250	82,570	71,800
Lee County	83,250	72,960	69,920	60,800
Montgomery Area *(Autauga, Elmore, Lowndes & Montgomery Counties)*	83,250	72,480	69,460	60,400
Tuscaloosa County	82,320	70,560	67,620	58,800

B. ***Ownership Interest.*** Based on relevant IRS regulations, the mortgagors and all occupants must meet certain requirements when purchasing a home in a non-targeted area. The mortgagor or any occupant of the residence cannot have had an ownership interest in a principal residence at any time during the preceding three years ending on the date the new mortgage is executed. This requirement qualifies the mortgagor and all who occupy as first-time homebuyers according to federal regulations. The Originator must obtain from the mortgagor an affidavit to this effect. The Originator will verify the first-time homeownership status of the mortgagor and all occupants 18 years or older by examining signed copies of the federal income tax returns of the mortgagor and all occupants 18 years or older for the preceding three years and the handwritten application. For target area loans, this is not applicable.

Examples of interests which constitute present ownership interests in a Principal Residence and would result in a potential homebuyer failing to meet the first-time homebuyer requirements, include the following:

1. a fee-simple interest;

2. a joint tenancy, a tenancy in common, a tenancy by entirety, or a community property interest;

3. the interest or a tenant-shareholder in a cooperative;

4. a life estate;

5. a real estate contract or Bond for Title (Deed) contract (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred, although legal title is not transferred until some later time);

6. an interest held in trust for the buyer (whether or not created by the buyer) that would constitute a present ownership interest if held directly by the buyer; and

7. mortgage interest claimed on a federal income tax return.

Examples of interest which do not constitute present ownership interests (and would not result in a potential home buyer failing to meet the first-time homebuyer requirements) are the following:

1. a remainder interest;

2. a lease without an option to purchase or a lease with an option to purchase at fair market value at the time of purchase;

3. lease with an option to purchase for a nominal sum;

4. a mere expectancy to inherit an interest in a principal residence;

5. the interest that a purchaser of a residence acquires on the execution of a purchase contract; and

6. an interest other than a principal residence during the previous three years (rental, recreational, vacation, seasonal or second homes).

C. ***Manufactured Homes Ownership Interest.*** The mortgagor or any occupant of the residence cannot have a present ownership interest in a manufactured home which was the principal residence of the mortgagor or any occupant of the residence at any time during the three-year period immediately prior to the closing of the new mortgage if:

1. the mortgagor or any occupant of the residence owned the land upon which the manufactured home was located;

2. the mortgagor or any occupant of the residence had a single term lease in excess of three years in which the manufactured home was located;

3. the manufactured home is permanently affixed; or

4. the removal of the manufactured home violates an agreement with the owner of the land.

D. ***Occupancy.*** Mortgagors must occupy the residence as their Principal Residence within 60 days after the closing and thereafter as their principal and permanent residence.

E. ***Residence Usage of Renting, Leasing, Assigning or Transferring Residence.*** The mortgagor cannot rent, lease, sell, assign or transfer any interest in the residence to another party and will not enter into any agreement, understanding or other arrangement without prior approval of the Authority.

F. ***Usage of Residence in Trade or Business.*** The mortgagor cannot use the residence in a trade or business and can not deduct any portion of the cost of the residence as a home business expense on the mortgagor's federal income tax returns. No portion of the residence can be specifically designated for any commercial use.

G. ***Residence Used for Investment Purpose.*** The mortgagor cannot use the residence as investment property and will not receive any income from the residence or the land. This provision prevents the mortgagor from later using the property for rental income.

H. ***Residence Used as Vacation, Seasonal, Recreation or Second Home.*** The mortgagor cannot use the residence as a recreational, seasonal, vacation or second residence.

I. ***Co-Signer/Non-Occupants and Guarantors.*** Co-Signer/Non-Occupants and Guarantors are accepted on behalf of an eligible mortgagor in accordance with the Agreement, provided that the following conditions are met:

1. The Co-Signer/Non-Occupant or Guarantor is acting in such capacity solely for the purposes of providing additional security for the mortgage loan, and will not take title to the property.

2. The Co-Signer/Non-Occupant or Guarantor will not occupy the residence as his Principal/Permanent Residence.

3. The Co-Signer/Non-Occupant or Guarantor is a relative of the mortgagor.

4. The Co-Signer/Non-Occupant or Guarantor is permitted by applicable FHA, VA, RD, Ginnie Mae, and Fannie Mae guidelines.

5. The Co-Signer/Non-Occupant or Guarantor will be required to sign a statement certifying to the above conditions, see Co-Signer/Non-Occupant Statement. Tax returns and income verifications are not applicable. These Co-Signer/Non-Occupants or Guarantors will be treated as non-occupant co-signers for MCC-qualifying purposes.

J. ***Legal Separation.*** Legal separation agreements are not acceptable documentation in the determination of a separated mortgagors' or occupants' eligibility. Originators must treat separated mortgagors or occupants as married and the separated spouse must meet all MCC guidelines as established in Sections II, III, & IV of this manual.

K. ***Powers of Attorney for the Mortgagors.*** Specific Powers of Attorney are acceptable if the property, loan amount, loan term, and interest rate is specifically addressed. Prior approval is required by the Authority and a recorded copy will be a closing condition.

L. ***Title Restrictions.*** Title can be held only in the names of those persons who sign BOTH the Mortgage Note AND the Mortgage.

SECTION III—LOAN ELIGIBILITY EVALUATION

A. ***Permitted Encumbrances.*** All Mortgage Loans must be secured by a first lien on the fee simple title or leasehold estate to the residence.

B. ***Types of Loans.*** The Agreement requires that at least seventy percent (70%) on the Reservation of Funds granted to each Originator be used for mortgage loans to be made to new construction (less than one year old and previously unoccupied residence) loans within the initial 60 days of origination. This requirement applies to all mortgage loans including any target areas.

The Authority does not restrict the type of financing with regard to type, term, rate, etc. However, the MCC program cannot be combined with a First Step (MRB) loan.

C. ***Amount of Mortgage Loan.*** The maximum amount of any mortgage loan may not exceed the applicable requirements of FHA, VA, RD, Ginnie Mae, and Fannie Mae as of the closing date of the mortgage loan.

D. ***Self-Builder/New Mortgage Requirements.*** No refinancing of any outstanding indebtedness shall be permitted except with regard to take-out loans. A take-out loan may be made to permit an eligible mortgagor to finance a residence which qualifies as a newly constructed residence under the Agreement and to retire any indebtedness thereof if:

1. Such indebtedness was originally incurred within 24 months of the closing date;

2. The mortgage loan will be used as a take-out of the construction or other bridge or interim loan; and

3. The term of construction, bridge or interim loan being financed as of the closing of the mortgage loan, does not exceed 24 months, or such other period as the Authority may determine.

   If warranted by the circumstances, an eligible mortgagor shall be considered as both a mortgagor and a seller with respect to take-out loans. A newly constructed residence is considered a residence which has not previously been occupied and is less than one year old. An eligible mortgagor may occupy a newly constructed residence if a commitment for a mortgage loan for permanent financing has been issued from an Originator to the eligible mortgagor, or following such other event as the Authority may determine as acceptable.

SECTION IV—PROPERTY ELIGIBILITY EVALUATION

A. ***Eligible Loan Area.*** The Eligible Loan Area shall be the entire geographic boundaries of the State. The Authority may require certain amounts of available funds to be reserved for a period of time in certain parts of the State. Federal law requires that a portion of the funds be set aside for use in target areas.

B. ***Qualifying Residences.*** Subject to certain limitations described below, all residences financed by the MCC Program must meet the following:

1. The residences must be permanently affixed, and considered “Real Property”;

2. Detached single-family houses, consisting of no more than one dwelling unit;

3. Attached single-family houses or townhouses, units which are manufactured housing insured under Section 203(b) of the National Housing Act of 1934, as amended; and

4. Units of a “condominium” or units within a “planned unit development” as such terms are defined in the Fannie Mae guide.

No more than 5% of the Reservation of Funds may be used, without the written authorization of the Authority, to originate mortgage loans which constitute manufactured housing.

C. ***Sales Price Limitations.*** The maximum sales price which may be paid by an eligible mortgagor to acquire a residence, including assumption of a mortgage loan on a residence, is as follows (Effective on purchase contracts executed after May 22, 2016):

New and existing Homes:	*Target*	*Non-Target*
All Areas	$312,361	$255,573

D. ***Land.*** Land being purchased with the residence should maintain the basic livability of the residence and cannot provide a source of income to the eligible mortgagor. If such land is capable of being subdivided, the eligible mortgagors will certify that they will not:

1. Subdivide or otherwise sell any of the real property on which the residence is or is to be located, except in conjunction with a future sale of the residence;

2. Seek any variance from applicable zoning, minimum lot size or set-back requirements.

E. ***Computing Acquisition Cost of Land & Dwelling.*** The acquisition cost of the residence, including any improvements made to the residence during the first 12 months, must not exceed the maximum sales price applicable to the residence as stated in Section x of this Procedural Manual. Acquisition cost of the land and dwelling includes amounts paid or to be paid, by the mortgagors or anyone acting on the mortgagor's behalf, to or for the benefit of the sellers or related parties to the seller. The acquisition cost of the land and dwelling also includes the following:

1. Capitalized value of any ground rent for any residence purchased;

2. Fixtures, such as light fixtures, curtain rods, or wall-to-wall carpeting, unless amounts paid for fixtures are part of the cost of dwelling;

3. If a residence is incomplete, the reasonable cost of completing the residence, whether or not the cost of completing the construction is to be financed;

4. Repairs paid by the mortgagor;

5. Items which are not fixtures, including a refrigerator, washer or dryer, etc.

6. Land owned by the mortgagor for less than two (2) years prior to the date of which construction of the residence begins, the lesser of the purchase price or the appraised value of the land as of the date of the mortgage loan application. Only the amount of the indebtedness (if applicable) may be added to the cost of acquisition for land owned more than two years prior to loan application. The Request for Conditional Commitment Package must include payoff letter. If the borrower owns and has paid for the land two years prior to the date construction begins, do not include the value of land in the acquisition cost.

F. ***Non-Allowable Acquisition Costs.*** The acquisition cost of a residence does not include the following:

1. Usual and reasonable settlement and financing cost. "Settlement costs" include titling and transfer costs, title insurance, survey fees and other similar costs, and "financing costs" include credit reference fees, legal fees, appraisal expenses, points which are paid by the borrowers, or other costs of financing the residence. Such amounts must not exceed the usual and reasonable costs which otherwise would be paid;

2. The imputed value of services performed by the borrower or relatives of the mortgagor or spouse, whole or half blood, ancestors and lineal, or as defined in Section IV of this Procedural Manual, in construction or completing the residence or;

3. The cost of land which has been owned, unencumbered, by the borrowers for at least two years before the date on which the construction of the structure comprising the residence begins.

G. ***Improvements to the Property***. During the first year of ownership, the mortgagor (directly or indirectly) cannot make improvements or have services performed on the residence that would cause the acquisition cost of the residence to exceed the Maximum Sales Price Limits. The following is a list of ineligible improvements or services:

1. Adds additional fixtures to the residence;

2. Completes any unfinished areas or adds any additional rooms to the residence or outbuildings to the land on which the residence is, or is to be, located;

3. Obtains services performed by persons other than the mortgagor, relatives of the mortgagor or spouse, whole or half blood, ancestors and lineal descendants in the construction or completion of the residence. "Sweat equity" is allowable. See Section IV of this Procedural Manual.

It will constitute an event of default if the cost of the improvements made or services performed to the residence causes the acquisition cost to exceed the Maximum Sales Price Limits. The Authority may then revoke the MCC.

H. ***Leased Land.*** If the residence is located on leased land, provide a copy of the lease showing a term no less than 99 years.

I. ***Foreclosures.*** Any foreclosed properties with Rights of Redemption remaining may be financed under the MCC program with the understanding that if the property is redeemed, the MCC will be revoked without recourse.

SECTION V—TARGET AREAS

A. Counties. The counties listed below are Target Areas:

Barbour	Choctaw	Dallas	Macon	Pickens	Talladega
Bibb	Clarke	Greene	Marengo	Pike	Washington
Bullock	Conecuh	Hale	Monroe	Randolph	Wilcox
Butler	Crenshaw	Lowndes	Perry	Sumter	

The counties listed below contain NO Target Areas:

Blount	DeKalb	Franklin	Jackson	Limestone	St. Clair
Coffee	Fayette	Geneva	Lamar	Marion	

B. Entire Cities and Towns. The cities and towns listed below were designated as Target Areas as of the date shown. Any area annexed to the city after that date is NOT a target area.

Abbeville..... March 26, 1982
Anniston ..... March 26, 1982
Atmore ..... March 26, 1982
Attalla ..... September 19, 1983
Bessemer..... March 26, 1982
Dadeville..... March 26, 1982
Gadsden ..... September 19, 1983
Headland ..... March 26, 1982
Lafayette ..... March 26, 1982
Phenix City..... March 26, 1982
Ridgeville ..... September 15, 1983
Roanoke..... March 26, 1983
Roosevelt City ..... March 26, 1982
Vrendenburgh..... September 16, 1983
Wadley..... September 15, 1983
Wedowee..... September 15, 1983

C. Other Target Areas

1. In addition to the counties and cities listed heretofore, certain areas within the following counties also have been designated as Target Areas. Many of the areas are described as Census Tracts and/or Enumeration Districts (EDs). Each such description is followed by either "(1970)" or "(1980)," designating which Census Map should be used. Unless otherwise indicated, any reference to an ED includes the entire ED.

AUTAUGA COUNTY

City of Prattville	Census Tract 20 ED 13 (1970) ED 14 (1970) ED 15 (1970) ED 19 (1970) *(see AHFA Map No. 701-01)*
County at Large	Census Tract 20 Census Tract 210 ED 19 (1970) ED 778 (1980)

BALDWIN COUNTY

City of Bay Minette	Census Tract 106 (1980) *(The portion within the city limits as of July 6, 1982.)*
Foley	A portion of the Beaulah Heights area A portion of the Aaronville area A portion of the Westside area
County at Large	Census Tract 103 (1980) Census Tract 107 (1980) *Census Tract 109 (1980) *Census Tract 110 (1980) Census Tract 111 (1980) *(*Areas within the city limits of the cities of Loxley, Silverhill, Summerdale and Robertsdale as of July 6, 1982, are excluded from the Target Area.)*

CALHOUN COUNTY

Town of Hobson City	The area south of Park Avenue and within the corporate limits as of July 9, 1982.
Town of Ohatchee	The Community Comprehensive Program Area as submitted on March 26, 1982, by the state of Alabama.
City of Piedmont	ED 1 (1970) ED 3 (1970) The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.
County at Large	Census Tract 5 (1980) Census Tract 6 (1980) Census Tract 7 (1980) ED 7 (1970) ED 18 (1970) ED 31 (1970) ED 13 (1970) ED 21 (1970) ED 49 (1970) ED 17 (1970) ED 23 (1970) ED 48 (1970) ED 24 (1970) ED 47 (1970) ED 54 (1970) ED 25 (1970) ED 46 (1970) ED 105 (1970) ED 26 (1970) ED 45 (1970) ED 106 (1970) ED 30 (1970) ED 51 (1970)

CHAMBERS COUNTY

Valley	A portion of the northern part of Fairfax.

CHEROKEE COUNTY

Town of Cedar Bluff	The area east of State Route 68 within the city limits as of July 9, 1982.
City of Centre	The area north and east of U.S. Highway 411 within the city limits as of July 9, 1982.

CHILTON COUNTY

City of Clanton	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.

CLAY COUNTY

Town of Ashland	The area north of First Avenue North within the city limits as of July 9, 1982.
Town of Lineville	The area west of State Route 49 within the town limits as of July 9, 1982.

CLEBURNE COUNTY	
City of Heflin	ED 6 (1970)
COLBERT COUNTY	
City of Tuscumbia	An area bounded by 11th Street on the North, Hickory Street and Avenue A on the East and South, and Woodmont Drive on the West. The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.
City of Sheffield	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.
COOSA COUNTY	
Town of Rockford	The area east of U.S. Highway 231 within the town limits of Rockford as of July 9, 1982.
COVINGTON COUNTY	
City of Andalusia	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.
CULLMAN COUNTY	
City of Cullman	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.
DALE COUNTY	
City of Ozark	An area in the northwest corner of the city. *(See AHFA Map No. 721-01.)*
ELMORE COUNTY	
City of Millbrook	Census Tract 104, ED 15 (1970) A portion of ED 16 (1970)
City of Wetumpka	Census Tract 106, ED 20 (1970)
County at Large	ED 968 (1980) Census Tract 104, a portion of ED 16 (1970)
ETOWAH COUNTY	
City of Altoona	The area north of the L & N Railroad track and within the city limits as of July 9, 1982.
City of Boaz	The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.

HOUSTON COUNTY

City of Dothan

Census Tract 406 (1980)

ED 7B (1970)	ED 13 (1970)	ED 23 (1970)
ED 8 (1970)	ED 18 (1970)	ED 29 (1970)
ED 9 (1970)	ED 19 (1970)	ED 31 (1970)
ED 10 (1970)	ED 20 (1970)	ED 32 (1970)
ED 11 (1970)	ED 21 (1970)	ED 33 (1970)
ED 12 (1970)	ED 22 (1970)	

JEFFERSON COUNTY

City of Birmingham

The areas within the indicated Census Tracts and the city limits of Birmingham as of July 7, 1982:

11. (1980)	47.01 (1980)	59.04 (1980)
21. (1980)	47.02 (1980)	59.05 (1980)
23.03 (1980)	47.03 (1980)	59.06 (1980)
23.04 (1980)	48. (1980)	111.04 (1980)
23.05 (1980)	49. (1980)	112.04 (1980)
23.06 (1980)	50. (1980)	119.02 (1980)
30.01 (1980)	53.01 (1980)	119.03 (1980)
31. (1980)	53.02 (1980)	124.01 (1980)
36. (1980)	56. (1980)	
37. (1980)	59.03 (1980)	

City of Homewood

Rosedale Neighborhood Strategy Area only. *(See AHFA Map No. 698-01.)*

County at Large

The entire Census Tracts listed below are Target Areas:

7. (1980)	28.02 (1980)
9. (1980)	29. (1980)
18.01 (1980)	32. (1980)
25. (1980)	33. (1980)
26.01 (1980)	45. (1980)
26.02 (1980)	46. (1980)
27. (1980)	51.01 (1980)
28.01 (1980)	

The areas within the Census Tracts listed below must NOT be located within the cities of Birmingham, Bessemer and Mountain Brook as of July 8, 1982:

105. (1970)	112.02 (1970)
106. (1970)	113. (1970)
109. (1970)	114. (1970)
110. (1970)	116.01 (1970)
111.01 (1970)	116.02 (1970)
111.02 (1970)	

119. (1970) excluding Zion City as existing on July 8, 1982

120. (1970)	125. (1970)
121.01 (1970)	126. (1970)
123.02 (1970)	127.01 (1970)

131. (1970) excluding Brownsville as existing on July 8, 1982

133. (1970)	139. (1970)
136. (1970)	140. (1970)
137. (1970)	141.01 (1970)
138. (1970)	143. (1970)

141.02 (1970) only the City of Johns as existing on July 8, 1982.

LAUDERDALE COUNTY

City of Florence

Census Tract 103. (1980)
Census Tract 110. (1980)
Census Tract 111. (1980)
Census Tract 115. (1980)

The following Neighborhood Strategy Areas as submitted on March 26, 1982, by the State of Alabama:
Coliseum Area Westside Area N. Florence Area E. Florence Area

LAWRENCE COUNTY

City of Moulton

The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.

LEE COUNTY

City of Opelika

An area in the eastern and southern portion of the city described as follows:

Beginning at the (north) city limits as of July 7, 1982, and running south on U.S. 431 and to the intersection of U.S. 431 and U.S. 29; west to the L & N Railroad to South Railroad Avenue to South Seventh Street; south on South Seventh Street to Torbert Blvd.; east to Interstate 85; southwest to AL 169; south on AL 169 past the industrial park; west to Society Hill Road; north on Society Hill Road-South Long Street to York Street; west on York Street; north on Simmons Street to Waverly Parkway; west on Waverly Parkway to U.S. 280 Bypass.

County at Large

Census Tract 401. (1980)
Census Tract 407. (1980)

MADISON COUNTY

City of Huntsville

The areas within the Census Tracts listed below:

1.00 (1980)	12.00 (1980)
2.01 (1980)	21.00 (1980)
2.02 (1980)	22.00 (1980)
7.02 (1980)	23.00 (1980)
8.00 (1980)	24.00 (1980)
10.00 (1980)	25.01 (1980)
11.00 (1980)	

105.00 (1980), only the areas located within the City of Huntsville as existing on July 9, 1982.

107.00 (1980), only the areas located within the City of Huntsville as existing on July 9, 1982.

The following areas which qualify as Target Areas are:

Glendale - Triana Estates: The neighborhood is bounded on the north by the property line of the northern most section of Sewall Drive, on the west by Triana Boulevard, on the east by the property line of the eastern section of Sewall Drive south to Johnson Road; then eastward to the property line to the eastern rear of the point where Baywood Drive begins; then southward along the line to the east rear of Alhambra and Berkshire Drives to a point just south of where Baywood Drive terminates; it is bounded on the south by the property line to the rear of the southern half of Nassau and Baywood Drives.

Hillandale - Terry Heights: The neighborhood is bounded on the north by University Drive, on the east by Pulaski Pike, on the west by the property line to the rear of Crestline Drive, and on the south by Holmes Avenue.

Meadow Hills: The neighborhood is bounded on the north by the property line to the rear of Shepherd Drive and Atkins Drive, on the east by Memorial Parkway, on the west by Blue Springs Road and on the south by the property line to the rear of Shawmont, Tuxedo, Norwood and Griffith Drives.

Northwest Huntsville: The subdivisions and surrounding areas of Rollings Hills, Cherokee Hills and Windsor Manor.

Sandhurst Park - South Park Estates: An area located in the extreme southwest part of the city as existing on July 9, 1982.

Western Huntsville: Located north of University Drive and generally west of Sparkman Drive, including the Rideout Village Subdivision.

County at Large

The areas within the Census Tracts and Enumeration Districts listed below:

11. (1980)	104.ED 6 (1970)
12. (1980)	104.ED 7 (1970)
16. (1980)	105.ED 13 (1970)
21. (1980)	105.ED 14 (1970)
101.ED 1 (1970)	108.ED 22 (1970)
102.ED 3 (1970)	109.ED 199 (1970)
103.ED 5 (1970)	109.ED 200 (1970)

112.ED 208 (1970), the portion east of Wall-Triana Hwy.
112.ED 212 (1970), the portion east of Wall-Triana Hwy.

113.ED 203 (1970)	114.ED 204 (1970)
113.ED 206 (1970)	114.ED 205 (1970)

The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.

MARSHALL COUNTY

City of Albertville

The area south of Highway 75 and Main Street within the city limits as of August 6, 1982. *(See AHFA Map No. 742-01).*

The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.

City of Boaz

The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.

City of Guntersville

The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.

MOBILE COUNTY

City of Mobile

The areas within the Census Tracts listed below:

2.00 (1980)	18.00 (1980)
3.00 (1980)	19.01 (1980)
4.01 (1980)	19.02 (1980)
4.02 (1980)	20.00 (1980)
5.00 (1980)	21.00 (1980)
7.01 (1980)	23.02 (1980)
7.02 (1980)	26.00 (1980)
8.00 (1980)	27.00 (1980)
9.03 (1980)	32.02 (1980)
10.02 (1980)	37.02 (1980)
12.01 (1980)	38.01 (1980)
13.01 (1980)	39.01 (1980)
13.02 (1980)	39.02 (1980)
14.00 (1980)	40.00 (1980)
15.01 (1980)	43.00 (1980)
15.02 (1980)	

Portions of the following areas are also Target Areas:

Carlisle Subdivision	Pinehurst Subdivision
Timbers Subdivision	Zack Logan Street
Demotropolis Avenue	

County at Large

Census Tract 57.00 Block Group 988 (1980)
Census Tract 63.00 Block Group 139 (1980)
Census Tract 64.00 (1980), except EDs 542U, 542T and 543
Census Tract 65.00 (1980), except EDs 547, 548, 549 and 550
Census Tract 67.00 ED 551T (1980)
Census Tract 68.00 (1980)
Census Tract 69.00 (1980)
Census Tract 71.00 (1980), except EDS 558 and 559

MONTGOMERY COUNTY

City of Montgomery

Area of Designations: A, B1, B2, B3, B4, B5 and B6. See descriptions below. All tracts mentioned below refer to 1980 census maps:

AREA A: All of tracts 1, 2, 3, 4, 5, 6, 7, 11, 16, 18, 19, 24, 25, 51.01, 51.02, and 51.03. It also includes parts of tracts 13, 14, 15, 17, 26, 30 and 54.02. The area stretches from the Madison Park area in the northeast across town to Smiley Court in the southwest. On the north it is bounded by the city limits as of July 15, 1982. On the west it follows the L & N Railroad to Simmons Drive and an extension of Lamuck Street to Lehigh Street, and Lehigh connects with West Boulevard. The southern boundary follows West Boulevard to I-65, and I-65 North to I-85. It follows I-85 east to Cleveland, Cleveland to Columbia, Columbia to Bellview, and Bellview to Early. From Early the southern boundary goes south on Court and east on Felder to Norman Bridge. It goes south on Norman Bridge to Fairview and then east on Fairview to Ridge Avenue. From Ridge Avenue it follows Felder west to Carter Hill and then goes north on West Street to I-85. The eastern boundary follows Three Mile Branch North to Highland Avenue and then follows the boundary of Greenwood Cemetery to Greenridge Road.

Then the boundary follows Pleasant Ridge Road to Forest Hills Drive and Forest Hills Drive to Willow Lane east to the northern Intersection of Forest Hills Drive. Then it connects with the Atlanta Highway and goes east to Dalraida Road. It follows an extension of Marie Cook Drive to the Seaboard Coast Railroad and then follows the railroad east to the northern boundary of tract 19. From there it connects with Three Mile Brand and goes north to Federal Drive. It follows Federal Drive to the Northern By-Pass and then goes east along the By-Pass to Plantation Way and an undeveloped area north of Hyde Park Drive. Then it follows Brassell Creek back to the northern city limits line as of July 15, 1982.

AREA B1: Located in southwest Montgomery in the western half of tract 60.02. It is bounded on the north and west by Hayneville Road, the south by U. S. Highway 80 and the east by Caney Branch Creek.

AREA B2: Located in southeastern Montgomery and is bounded by the eastern border of tract 56.03 and the Troy Highway on the east, Whites Slough on the north, Narrow Lane on the west, and the city limits as of July 15, 1982, on the south. The area contains parts of tract 29, 32 56.01 and 56.03.

AREA B3: Located in northeastern Montgomery and contains parts of tracts 26 and 53.02. It is bounded on the south by Wares Ferry Road, the east by Ray Drive and Jule Drive, the north by Glade Park and Groveland, and the east by an extension of Planters Road.

AREA B4: Located in southwestern Montgomery and is made up of parts of tracts 59.01 and 59.02. It is bounded on the north by Catoma Creek, the west by U. S. Highway 31, the south by the city limits as of July 15, 1982, and the east by Seaboard Coastline Railroad.

AREA B5: Located in tract 29 in the southeastern corner of the City. It is part of Woodley East, and includes all property on both sides of Manassee Drive and property on the north side of Gentilly Drive.

AREA B6: Located in tract 29 in the southeastern corner of the city and includes all of the Whispering Pines Subdivision. It is bounded by the back property lines of housing located in the subdivision. This includes the property facing Whispering Pines Drive, Pine Shadow Lane, Fernwood Drive and Shadowood Drive.

County at Large

Census Tract 2 (1980) Census Tract 6 (1980)
Census Tract 10 (1980) Census Tract 12 (1980)
ED 1033 U (1980) ED 1035 (1980)

MORGAN COUNTY

City of Decatur	Census Tract 5.00 (1980)
	Farmington/Cedar Lake: The area south of the Beltline Highway and west of the L & N Railroad, being a portion of the Section 6, T6S, R4W and Section 5, T6S, R4W.
	Northwest Decatur: The area north of West Moulton Street and west of the L & N Railroad being a portion of Section 13, T5S, and R5W and Section 18, T5S, R4W.
	Westmead No. 14/ Westmead Townhomes: The area southwest of Beltline Highway, between Old Moulton Road SW and Danville Road SW/ being a portion of Section 25, T5S, R5W.
	The Community Comprehensive Program Area as submitted on March 26, 1982 by the State of Alabama.

RUSSELL COUNTY

County at Large	Census Tract 301.00 (1980) Census Tract 302.00 (1980)

SHELBY COUNTY

County at Large	Census Tract 303.01 (1980), excluding the Planned Unit Developments of Inverness and Riverchase.
	Census Tract 303.02 (1980) Census Tract 304.02 ED 18 (1980) Census Tract 305.00 ED 25 (1980) Census Tract 306.01 (1980) Census Tract 307.01 (1980) Census Tract 307.02 (1980)

TALLAPOOSA COUNTY

Alexander City	An area requested on behalf of Alexander City by the East Alabama Planning and Development Commission on August 5, 1982, and approved by the Treasury on October 27, 1982.
Town of Camp Hill	The area east of the Central Georgia Railroad and within the city limits as of July 9, 1982.

TUSCALOOSA COUNTY

City of Holt	Census Tract 105 (1980)
City of Northport	Portions of the following areas as submitted on March 26, 1982, by the State of Alabama: Bridge Avenue Area Hightown Area
City of Tuscaloosa	All of Census Tract 118 and portions of Census tracts 117 and 124 (1980)

County at Large	Census Tract 111. (1980) Census Tract 115. (1980) Census Tract 118. (1980) The Community Comprehensive Program Area as submitted on March 26, 1982, by the State of Alabama.
WALKER COUNTY	
Town of Oakman	Consult with AHFA.
WINSTON COUNTY	
City of Haleyville	*Corinth Heights Subdivision* - The area within the following description: west to Dime Road, east to Newburg Road, south to Delashaw Road and north to the city limits as of July 7, 1982. *Chickakee Road Area* - The area within the following description: west to the city limits as of July 7. 1982, east to Quarter Creek, south to Chickakee Road and north to the city limits as of July 7, 1982. *Brookhaven Subdivision 1 and 2* - The area within the following description: west to Quarter Creek, east to Airport Road, south to Chickakee Road and north to George Avenue. *Forest Park Subdivision* - The Lake Short Drive Area. *Hilltop Subdivision* - The area within the following description: west to Birch Street, east to Oak Street, north to Maple Street and south to the city limits as of July 7, 1982.

B. Rev. Proc. 93-38 designated various census tracts, based on the 1990 census, as Target Areas. Such areas within the counties listed below include the incorporated and unincorporated areas within the designation.

COUNTY	CENSUS TRACTS
Bullock	9521.00
Calhoun	5 and 6
Dallas	9964, 9965, 9969, 9970, 9972 and 9973
Etowah	7 and 8
Greene	9745
Hale	9746
Houston	406
Jefferson	5, 7, 15, 23.04, 27, 29, 30.02, 32, 33, 39, 45, 51.01, 101 and 103.02
Lauderdale	101, 103, 105 and 107
Lee	408, 415 and 416
Lowndes	9811
Macon	9823
Madison	12, 16 and 21
Mobile	3, 4.01, 4.02, 5, 6, 12.01, 12.03, 13.01, 13.02, 14, 15.01, 15.02, 39.02, 40, 41, 42, 43, 45, 46, 47, 48 and 49
Montgomery	1, 2, 3.85, 6, 10, 11 and 12

COUNTY	CENSUS TRACTS
Bullock	9521.00
Perry	9872
Russell	301 and 302
Sumter	9912
Talladega	106
Tuscaloosa	112 and 117.01
Wilcox	9947 and 9950

SECTION VI—RESERVATION PROCEDURES

A. ***Online Reservation Procedure.*** Subject to the funding restrictions and applicable reservations, applications for MCCs will be accepted in all of the lending offices of each Originator in the state. This will be on a first-come, first-served, fair and equal basis irrespective of race, color, religion, national origin, age, or sex.

Prior to making a reservation of funds, the Originator must have taken a mortgage loan application from a potential eligible mortgagor. The mortgagor furnishes the Participating Originator an earnest money sales agreement or construction contract entered into by the seller/builder of a residence and the eligible mortgagor. Originators are responsible for making a preliminary determination to see if the potential eligible mortgagor will qualify for the mortgage loan and MCC. The program processing is designed to compliment the Originator's regular credit and underwriting procedures. Since the Authority is not part of the credit approval process, no formal notice of rejection of the MCC is required by the Authority under the Equal Credit Opportunity Act. The Authority recognizes the procedural variations among participating Originators.

The following steps are for the reservation and loan processing process:

1. The eligible mortgagor applies for mortgage financing through a participating Originator and requests a MCC.

2. The Originator determines if a loan applicant is eligible for the MCC program based on preliminary information obtained on annual income, acquisition cost, prior home ownership, and other factors.

3. All mortgage loans must be originated in compliance with, and must conform to the provisions of all applicable rules, regulations and limitations of FHA, VA, RD, Ginnie Mae, and Fannie Mae, as appropriate.

Each Originator is to assign user names and passwords to designated employees responsible for making requests for Reservations of Funds. There will be no restrictions as to the total number of Reservations of Funds issued to any Originator. Telephoned requests for reservations will be accepted only if the *lenders.AHFA.com* web site is unavailable for more than 24 hours. In that event, telephone reservations will be accepted temporarily until the site resumes operation. As each request is taken, the Authority will monitor the amount of confirmed requests to comply with the 20% target area requirement. This could result in a non-target reservation request being placed on a waiting list for funding until the 20% target area requirement has been met.

B. ***Reservation Form.*** Beginning on a date designated by the Authority, the participating Originators may request Reservations of Funds online at *lenders.AHFA.com*. The Originator completes the MCC Reservation Form and inputs the required information into the online system, reserving funds. Upon input of the information from the Reservation Form, the online system will automatically issue a commitment number and Commitment Expiration Date. The Originator should place this information on the Reservation Form for future reference and print a copy of the reservation acceptance to include with the Step 1 submission. This Reservation Form will contain the tax credit percentage applicable to the loan amount.

C. ***Reservation Document Delivery.*** Upon completion of the reservation, each Originator must furnish the Authority with the Reservation Package as stated on the MCC Transmittal Checklist (Step 1). The Authority must receive these documents within 72 hours (three working days) of receipt of an MCC commitment number. Failure to deliver the

requested documentation to the Authority within the time specified may result in cancellation of the reservation of funds.

D. ***Program Fees.*** The MCC requires a commitment fee of $500. Certified funds must be sent in to the Authority, along with the signed Reservation Form. Originators, at their discretion, may also charge a $200 processing fee for their services. Note: The $500 fee is waived if the MCC is coupled with the AHFA Step Up loan.

E. ***Reservation Expiration Date.*** The MCC reservation is valid for 45 days. Thirty (30) day extensions may be allowed with a $100 extension fee and approval by the Authority.

F. ***Cancellation of Reservation.*** If it is determined that the proposed mortgagor does not qualify for the program, the reservation will be canceled. If the Authority determines that a mortgage loan application was taken by an Originator after the date the Originator submitted its request for Reservation of Funds, the reservation will be canceled.

Notification must be sent to the Authority within 72 hours if it is determined that the mortgagors do not MCC Program guidelines.

G. ***Refund of $500 MCC Commitment Fee.*** The Commitment Fee may be refunded if the MCC is not issued. To obtain a refund of the MCC fee (less any applicable penalty), the Originator must request the refund in writing with the following information:

1. Reservation number
2. Mortgagor's name
3. Property address
4. Certificate amount requested
5. Copy of Declination Letter, if applicable
6. Payee on refund check (full company name and address)

Upon receipt of the required information, the Authority will refund the $500 MCC commitment fee (without interest and less any applicable penalty). A single check will be made payable to the Originator. All canceled reservations will be reallocated under the MCC Program.

The Authority will not issue a check for any refund request under $10.

H. ***Transfer of Reservation.*** The Authority will not allow a transfer of any Reservation of Funds from one eligible mortgagor to another, but may allow a loan transfer from one approved Originator to another pursuant to the Transfer of Allocation Form. This form must be executed by both Originators and the Authority. The MCC fee will be transferred upon approval by the Authority. Reservations of Funds may be transferred one time only.

The Reservation of Funds committed to an eligible mortgagor may be transferred from one property to another with the prior approval of the Authority.

SECTION VII—LOAN PROCESSING & UNDERWRITING PROCEDURES

A. ***Calculation of the MCC.*** The Originator performs the mortgage processing and underwriting procedures in the normal manner for the applicable type of loan. The MCC operates as a federal tax credit reducing the federal income taxes of eligible homebuyers purchasing a qualified residence, thereby making more funds available for the house payment. The Originator may consider the benefits of the MCC when determining the amount of income available for the monthly housing payment and debt ratios. The MCC tax credit may be utilized throughout the life of the **original** mortgage loan, as long as there is applicable tax liability.

The MCC tax credit may be utilized throughout the life of the original mortgage loan, tax liability permitting. The maximum annual MCC credit is capped by the IRS at $2,000 per year. The MCC recipient must have federal tax liability in order to use the product. Their annual or monthly MCC tax credit should never exceed their annual or monthly federal tax liability. Any unused portion of the tax credit may be carried forward for up to three years. Borrowers should consult a tax professional for full understanding and assistance in determining the best use, benefits, and risks associated with the program.

To determine the amount of the MCC, the Originator multiplies the loan amount by the interest rate of the loan. This amount is approximately the first year interest paid by the mortgagor. The first year interest is multiplied by 50%, the percentage of the federal tax credit. That percentage of interest can then be divided by 12 to arrive at a monthly figure.

For example, a home buyer with a $100,000, 4.5 percent mortgage rate will have a first-year interest of approximately $4,500. That $4,500, when multiplied by 40%, equals $1,800. If the federal income tax liability for the homeowner is $1,800 or more, then the federal taxes would be reduced by $150 each month. The balance of the interest paid remains a mortgage interest deduction for federal income tax purposes. See MCC Tax Credit Worksheet.

The maximum annual MCC tax credit is capped by the IRS at $2,000 per year. The mortgagor's monthly tax credit should not ever exceed their monthly tax liability. Any unused portion of the tax credit may be carried forward for up to three years.

B. ***Eligible Mortgagor Affidavit.*** The Originator provides the potential mortgagors with the Eligible Mortgagor Affidavit that explains the program requirements. Any person signing the mortgage is required to sign the Affidavits and must qualify under the MCC Guidelines as established in Sections I, II, and III of this MCC Procedural Manual. Non-occupant co-mortgagors are not required to sign the Affidavit but are required to sign the Co-Mortgagor/Non-Occupant Statement.

The Eligible Mortgagor Affidavit must be completed thoroughly and agree with all applicable areas of the initial application and sales contract. All applicable areas are to be executed and corrections are to be initialed by the appropriate persons. If the Eligible Mortgagor Affidavit or sales contract reflects an unusual seller (Banks, Resolution Trust Corp., etc.) may imply that the property is a foreclosure and will require additional documentation, see Section IV(I). Make sure all applicable sections requiring notary signatures reflect commission expiration dates. The Request for Conditional Commitment Checklist should be used as a guide for completion of the Eligible Mortgagor Affidavit.

The mortgagor completes and signs the Eligible Mortgagor Affidavit containing certain certifications required by the Authority and federal regulations. The required certifications include, but are not limited to:

1. The residence is permanently affixed and is considered "real property" and the dwelling does not consist of more than one dwelling unit.

2. The property will be used as the mortgagor's principal and permanent residence.

3. The mortgagor will occupy the residence within 60 days after the closing of the mortgage loan.

4. A principal residence has not been owned during the preceding three-year period unless the property is in a designated target area.

5. The mortgage being acquired will not be used to replace or obtain an existing mortgage other than one specifically accepted and permitted by the Agreement.

6. The MCC loan does not constitute a prohibited mortgage.

7. Application for the MCC loan was not directed to a particular Originator.

8. The annual family income does not exceed the maximum income limits.

9. The acquisition cost of the residence does not exceed the maximum sales price limits.

10. No interest is being paid to a related person.

11. No business interests or activities will be conducted from the subject property, nor does the mortgagor have a history of business activities or use from their current or previous residence in the past 12 months.

12. The residence cannot be rented, leased, or transferred.

13. No business interests or activities will be run out of the subject property, nor does the mortgagor have a history of business activities being run out of their current residence, or previous residence in the last 12 months.

14. The residence will not be used as a vacation, seasonal, recreation, or second home.

15. The MCC certificate cannot be assumed.

16. The MCC cannot be claimed if the mortgage is refinanced, or the property is sold, rented, or leased, or the mortgagor no longer occupies the property.

C. ***Request for Conditional Commitment Package.*** The Originator performs the customary verifications for loan underwriting as required by the Agreement. The Originator completes the remainder of the mortgage application process and sends to the Authority the Request for Conditional Commitment Package as stated on the MCC Transmittal Checklist (Step 2). Upon receipt of the required documentation, the package is placed in first-come, first-served order and processed within 72 hours (three business days) beginning the next business day.

D. ***Request for Conditional Commitment.*** The Request for Conditional Commitment package and the reservation package will be compared at the time the Request for Conditional Commitment package is received. The following criteria will help ensure accuracy and consistency in files when reviewed:

1. *$500 MCC Commitment Fee.* The MCC commitment fee is to be checked to ensure the amount is correct. If the MCC is coupled with an AHFA Step Up loan, the $500 commitment fee will be waived.

2. *Loan Amount.* The amount reserved on the reservation form should agree with the amount shown on the Request for Conditional Commitment Checklist. If the amounts do not agree, a request in writing for a decrease or increase is needed. Amounts that increase will require additional funds to cover the commitment fee, and are subject to the availability of funds. See Section XI, Modifications, for more information.

3. *Request for Conditional Commitment Checklist.* The Request for Conditional Commitment Checklist must be completed thoroughly. The Authority will check the income and sales price limits reflected on the Request for Conditional Commitment Checklist to ensure compliance with applicable limits. Information provided on the first page of the Checklist should agree with the Loan Reservation Form, initial application and the sales contract (name, property status, etc.).

4. *Initial Application.* The initial application should be completed, signed, and dated by the mortgagors and Originator. If dated before the MCC issue, a conversion letter will be required. All information should agree with all applicable areas of the MCC Reservation Form sales contract, and the Eligible Mortgagor Affidavit as follows:

   (a) Names of the mortgagors.

   (b) Property information section.

   (c) Number of dependents.

   (d) Marital status.

   (e) Residency history.

   (f) Employment (income purposes).

(g) Other income section (to ensure all income has been included).

(h) Schedule of real estate owned section (to establish whether the borrowers currently own a home, have rental property, or own land. Additional income may be received from these sources).

(i) Assets section to ensure all funds which are not a part of closing are included in the annual family income, i.e., interest and dividends earnings.

(j) Declaration section reflects the mortgagors intent to occupy the property as their Principal Residence.

(k) First-time home buyer requirement (non-target area loans).

5. *Sales Contract*. For mortgagors who are responsible for making repairs on the sales contract, the amount of repairs must be included in the total acquisition cost and evidenced by receipts.

Changes in the sales price will require an amended sales contract. All changes are to be initialed by all parties involved.

At no time will the Authority accept a contract committed to an MCC issue before the issuance date of the program. A conversion letter is the only acceptable documentation to convert a loan to an MCC loan if the contract is dated before the issuance of the program.

All areas of the sales contract are to be completed and properly executed by the mortgagor and seller where applicable. The following areas should be consistent with all applicable areas of the Reservation Form, initial application, and the Eligible Mortgagor Affidavit.

(a) Names of the mortgagors.

(b) Sales price.

(c) Property address.

(d) Loan Type: FHA, VA, RD, or Conventional.

(e) Real estate agency's name and address.

(f) Number of days for the seller to surrender possession is 60 days or less after loan closing.

(g) Signatures of the sellers and buyers with dates.

6. *Federal Income Tax Returns.* The tax returns must be completed with original signatures and applicable schedules. Loans closed after February 15 will require current-year tax returns. All areas should be consistent with the initial application, employment verification, and Eligible Mortgagor Affidavit. Federal income tax forms 1040A and 1040EZ should comply with items a through e. Federal income tax form 1040 should comply with items a through i as follows:

(a) Names of the mortgagors.

(b) Property address (for non-target area loans).

(c) Social Security numbers.

(d) Filing status.

(e) Wages for the previous year and other amounts which can produce current income.

(f) It is imperative that Section 6, (c), page 1, of the federal return is checked thoroughly to ensure all dependents

listed on the returns have names consistent with the mortgagors. Additional child support or Social Security benefits may be received if the names are different. Other dependents (i.e., mother, father) may be residing in property, thus possibly producing additional income.

(g) Section 7, reflecting wages, salaries, and tips, and should be consistent with past year earnings. Watch for other income reflected in this section, i.e. a self-employed mortgagor with income on this line may be a corporation employee with W-2 earnings or one who has other sources of income.

Note: Self-employed mortgagors are not allowed to operate any portion of their business from their home. See Section II for more information.

(h) All lines must be checked to determine whether all income is considered (i.e., self employment, interest, dividends, capital gains, etc.).

(i) Section 34, page 2, of the federal tax returns must be checked to ensure the mortgagors took the standard deduction. If not, Schedule A should be attached showing their itemized deductions. It is imperative on non-target area loans that the mortgagors did not take a deduction for home mortgage interest or real estate taxes.

Note: Rental property that has not been the mortgagors' primary residence for past three years will not be considered as ownership interest; however, any rental income earned will be considered as income. See Sections II and VIII.

A federal tax return for the most recent year is required for target area loans. The most recent three years of federal tax returns are required for non-target area loans. The most recent year's tax returns are required as of February 15th of the following year. For example, 2012 returns are required as of February 15, 2013.

Listed below are forms and schedules for your convenience:

Form 1040EZ: Income Tax Return for single and joint filers with no dependents

Form 1040A: U.S. Individual Income Tax Return - Schedule 1, Interest and Dividend Income (for 1040A 6)

Form 1040: U.S. Individual Income Tax Return

Schedule A: Itemized Deductions

Schedule B: Interest and Dividend Income

Schedule C or C-EZ: Profit and Loss for Business (sole proprietorship)

Schedule D: Capital Gains and Losses

Schedule E: Supplemental Income and Loss

Schedule F: Profit and loss from farming

If the mortgagor is unable to produce signed federal tax, a copy of the tax return transcript may be requested from the IRS by filing IRS Form 4506T or by calling 1-800-829-1040. We will not accept IRS Form 8879 (IRS e-file Signature Authorization) in place of the actual returns. Self-employed mortgagors must provide the actual returns in all cases.

If the mortgagors were not required to file federal income tax returns, by law, for one or more of the past three years, then the mortgagors must provide a statement that they were not required by law to file for that year. See Income Tax Statement.

Upon completion of the compliance review, the Authority will issue a Conditional Commitment.

Loan/Reservation Status Details — Updated on Thursday, December 18, 2003, at 07:05 AM

« Back | Reprint Reservation | Select Documents | Cancel Loan

Loan Cancellations are **NOT ALLOWED**.

GENERAL INFORMATION

Lender Loan No:	**10227593**	Lender ID No:	
Reservation/Loan No:	**25014030518**	Lender Name:	
Application Accepted On:	**12/06/2002**	Branch Name:	
Reservation Expires:	**01/20/2003**	Servicer Loan No:	
Commitment Expires:	**02/10/2003**	Loan Officer:	
Borrower Name:		Submitted by:	
Social Security No:			

FIRST MORTGAGE

Program:	**Step Up Program - Draw 29 (6.10%)**
Loan Type:	**FHA**
Loan Amount:	**$109,924**
Term:	**360 months**
Initial Interest Rate:	**6.1000%**

SECOND MORTGAGE

Program:	**DPA Draw 29**
Loan No:	**35014030519**
Loan Type:	**Conventional**
Loan Amount:	**$6,375**
Term:	**240 months**
Initial Interest Rate:	**6.1000%**

PROPERTY ADDRESS

County:

STAGE/STATUS/DATE

- Purchased / **Approved** on **01/10/2003**
- Major Curative / **Approved** on **01/02/2003**
- File Shipd Svcr / **Approved** on **01/06/2003**
- Closed LoanRecd / **Approved** on **12/31/2002**
- Cond Commitment / **Approved** on **12/11/2002**

CONDITIONS/EXCEPTIONS

REJECTION REASONS

If the loan cannot be approved due to insufficient information, a Curative Request for additional information will be issued.

Loan/Reservation Status Details — Updated on Thursday, December 18, 2003, at 07:05 AM

« Back | Reprint Reservation | Select Documents | Cancel Loan

Loan Cancellations are NOT ALLOWED.

GENERAL INFORMATION

Lender Loan No:	10227593	Lender ID No:	
Reservation/Loan No:	25014030518	Lender Name:	
Application Accepted On:	12/06/2002	Branch Name:	
Reservation Expires:	01/20/2003	Servicer Loan No:	
Commitment Expires:	02/10/2003	Loan Officer:	
Borrower Name:		Submitted by:	
Social Security No:			

FIRST MORTGAGE

Program:	Step Up Program - Draw 29 (6.10%)
Loan Type:	FHA
Loan Amount:	$109,924
Term:	360 months
Initial Interest Rate:	6.1000%

SECOND MORTGAGE

Program:	DPA Draw 29
Loan No:	35014030519
Loan Type:	Conventional
Loan Amount:	$6,375
Term:	240 months
Initial Interest Rate:	6.1000%

PROPERTY ADDRESS

County:

STAGE/STATUS/DATE

- Purchased / Approved on 01/10/2003
- Major Curative / Approved on 01/02/2003
- File Shipd Svcr / Approved on 01/06/2003
- Closed LoanRecd / Approved on 12/31/2002
- Cond Commitment / Approved on 12/11/2002

CONDITIONS/EXCEPTIONS

REJECTION REASONS

E. ***Conditional Commitment Expiration.*** The Conditional Commitment and reservation of funds will expire 45 days after the date of the reservation for all properties. Extensions are available on a case-by-case basis. See Section VII(D).

F. ***Curative Requests and Expiration.*** Curative Requests are to be satisfied and delivered to the Authority within two weeks of the issuance date. Curative Requests that are not satisfied and delivered to the Authority within the two-week period granted will be subject to a $25 resubmission fee upon the Authority's discretion. Keep in mind that all commitments expire 21 days after loan closing.

SECTION VII—INCOME GUIDELINES

A. *Salaried Mortgagors*

1. *Gross Monthly Income.* Gross monthly income includes gross monthly pay, any additional income from overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, Veterans Administration (VA) compensation, net rental income, etc.; and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities and investments, etc.) Overtime pay and bonuses are to be projected in an amount consistent with the earnings history. Income included in the calculation is derived from all persons 18 years or older occupying the residence.

2. *Annual Family Income.* The Gross Monthly Income multiplied by 12 shall mean the 12-month period beginning by either:

   (a) The date of the mortgage loan application if the mortgage is executed within four months of the date of such application; or

(b) The date of the execution of the mortgage if the mortgage is executed more than four months after the date of such application.

The income to be taken into account in determining the gross monthly income is any person who is expected to live in the residence being financed. The income of a person who is over 18 years of age and a full-time student (excluding the mortgagors) will not be included in the gross monthly income. See Full-Time Student Statement.

Persons over 18 years of age who are not employed and do not intend to seek employment within the next 12 months will be required to sign a statement to such. See Employment Statement.

3. *Verifications of Employment.* The mortgagor must meet the income limits as set forth in Section xx of this Procedural Manual. When checking Verifications of Employment (VOE), all areas of the verification should be completed and executed by the employer. All projected raises reflected on the VOE must be included in the annual family income.

EXAMPLE: An applicant receives a pay increase of 50 cents per hour to $7.00 per hour on May 1. Calculate the first four months' income at $6.50 per hour and calculate the next eight months at $7.00 per hour to reflect the raise.

Make sure all income has been derived (i.e., raises, bonuses, commissions, car allowance, etc.). Verify that pay stubs and verifications are consistent with one another. If they differ, an explanation must be provided. Previous year earnings (overtime, etc.) should be consistent with current year earnings. If not, it may be necessary to use only year-to-date figures depending upon the increases the mortgagor has received (overtime, raise, etc.). VOEs must be updated if they are more than four months old at the time of closing.

EXAMPLE: John Smith works for the power company. Mr. Smith's base income on the verification of employment is $35,000 with bi-weekly income of $1,346.15. Mr. Smith's pay stub reflects the same base amount. We must determine if year-to-date earnings on his pay stub are consistent to year-to-date earnings on the verification of employment. Mr. Smith worked 22 pay periods @ $1,346.15 (through October 31, 1993), with year-to-date earnings of $29,615.30. However, the pay stub reflects income of $33,000; therefore, an additional $3,384.70 is included in his year-to-date earnings. We must determine what this extra income is and if it is consistent with earnings received last year. If not consistent, use year-to-date earnings reflected by the pay stub to determine annual income.

When reviewing verifications, watch for certain types of employment, i.e., ministers, nurses, etc., which have unusual income. For example, a minister's income usually consists of a base income, utilities allowance, housing allowance, insurance allowance and car allowance. A nurse's income usually consists of a base income, overtime, and shift differentials for night and weekend pay, which in most cases differ. Be very cautious when calculating income for these types of employment to ensure all income has been included in the calculations.

If a letter or pay stub, etc. is used in lieu of a written VOE form, it must contain all items covered in the written verification.

All projected raises reflected on the VOE must be included in the annual family income as of the date of the raise.

4. *Pay Stubs.* Pay stubs are required on all loans. The income and employer information must be consistent with the verification of income and the VOE. Pay stubs must be dated within 30 days of submission.

5. *Income History.* If the prospective mortgagor has additional earned income and has a history of such earnings, then the income is to be included in the gross monthly income. If the income is earned only within the current year with no prior history, and will not continue after closing then a statement from the employer stating the earned income, (i.e., overtime, etc.) will not continue is required.

6. *Alternative Documentation.* AHFA allows alternative documentation for the VOE under the following conditions. If

the Originator cannot obtain all of the items below, then standard employment documentation must be used.

(a) Telephone verification including, but not limited to date of hire; current position; date of telephone verification; and name, title and phone number of person verifying employment. The statement must be executed by the person verifying information.

(b) Pay stubs covering the most recent 30-day period which reflect the mortgagor's name, Social Security number, hourly rate of pay, and number of hours worked per pay period.

(c) Certified copies of the last two years' W-2s which include the mortgagor's name, Social Security number, company name, and total compensation.

(d) Should an Originator be unable to acquire a VOE for an individual borrower in active or reserve military or civil service, AHFA will accept the borrower's last two Leave and Earnings Statements (LES) and their previous year's W-2 form in place of the VOE.

7. *Averaging Income.* Income is averaged for overtime, commissions, and any other income (except base earnings) over a period of no less than 15 months, but no more than 27 months. However, if income over base earnings is not consistent with past years' earnings, or the income history is less than 15 months, the Authority will determine the period for income calculations.

8. *Overtime Earnings.* Income earned from overtime will be included if the borrower has a history of such income or the income was earned during the current year. The VOE form from the employer or the telephone verification from the Originator must explain how much overtime is expected if any, and at what rate of pay.

9. *Commission Employees.* Commission-only employees must provide two years of federal income tax returns. If the mortgagor has not been employed at least two years, the most current year federal income tax returns are required along with year-to-date earnings. This may be obtained from the VOE. If commission employees file self-employment income to claim expenses, we will require copies of the Federal Income Tax Forms 1040 and Schedule C or C-EZ along with a year-to-date Profit and Loss statement.

10. *Bonus.* The gross amount of recurring bonuses is to be included in the income calculations if:

    (a) The bonus is part of a collective bargaining agreement and must be paid; or

    (b) The bonus is included in the computation of income by the employer; or

    (c) There is a history of bonuses.

    If there is a history of bonuses but the applicant does not know if a bonus is planned, nor does the employer divulge its plans for a bonus or the projected amount, an average of past years' bonuses will be calculated as income. A bonus history for tax compliance purposes is to be considered for one year or more.

    The bonus is not to be included in the annual family income if there is no history of a bonus and the bonus is totally discretionary by the employer and wages of the applicant are the basic source of income. The file must be documented with a statement from the employer.

11. *Rental Properties or Contract Income.* Rental income and contract income are determined by subtracting the monthly mortgage payment from the gross rental income. Depreciation should be added back to net rental income where applicable. Contract income (income derived from the mortgagor selling property with owner financing) is to be used in calculating annual family income.

    The use of standard underwriting criteria to document this income is acceptable (i.e. copies of leases & mortgage verifications).

12. *Child Support/Alimony.* Child support and alimony must be included in the annual family income and a copy of the final divorce decree is required. If the mortgagors have not received child support or alimony for the past 24

months and to their knowledge, none is forth coming, a statement from the mortgagors is required, see Child Support Statement.

Cases where the child support or alimony was paid through the courts, a case history showing no activity for the last 24 months is required including the Child Support Statement.

13. *Car Allowance.* Income received from employers for a car allowance must be included in the annual family income if the mortgagors have no accounting responsibility to their company.

EXAMPLE: If the mortgagor receives $500 per month from his employer for car allowance and is not required to file a mileage/expense report, then the $500 monthly income must be included in the annual family income. If the mortgagor files a mileage/expense report for $450 monthly, the $50 difference must be included in the annual family income.

---

14. *Education Grants.* The portion of the income from grants that is used for living expenses is to be added to the annual family income if this income will continue for the next 12 months.

15. *Employee Benefits Program.* Some companies offer an employee benefits program designed to let employees create their own insurance package. The monthly amount is usually shown separately on the pay stub, yet included in year-to-date earnings. The pay stub usually shows the monthly amount actually spent on this plan. A letter from the employer is needed to verify the actual cost of this plan year-to-date, in order to determined if the employees received funds over the actual cost. In this case the additional unused portion would be included in the annual family income.

    If the mortgagor receives monthly income for the employee benefit program and elects not to purchase benefits offered by the program, then the full amount will be added to the annual family income.

16. *Permanent Seasonal, Seasonal & Temporary Income.* Include all permanent seasonal, seasonal and temporary earnings when calculating annual family income.

17. *Social Security/VA Benefits*. Social Security income should be verified with an Awards letter obtained from the Social Security office. VA benefits should be verified with a benefits letter from the Veterans Affairs Office.

18. *Lump Sum Payments*. Lump sum payments, including but not limited to, inheritance, re-enlistment bonuses, and disbursements from insurance policies, do not have to be included in the annual family income. However, interest income on investments must be included and calculated at the current passbook rates over a 12-month period. If the income is received in any other form other than lump sum (i.e. monthly or annual), then it must be treated as permanent income and added to the annual family income.

19. *Capital Gains/Loss.* Both taxable and non-taxable portions of capital gains are to be included as income if a history of this income exists. If the two-year average results from the tax returns is a gain, then it must be added to annual family income (losses cannot be used to reduce annual family income).

20. *Pension and Stock Withdrawals.* Withdrawals of principal funds from pension or stock sources is not considered income. However, annuity or interest payments under a pension or stock investment program are considered income. Verification of benefits will be required, i.e., federal tax returns, statement of benefits, etc.

21. *Interest, Dividend and Royalty Income.* Interest, dividend and royalty earnings are considered income. Current interest and dividend earnings are calculated at current passbook rates over a 12-month period. Income calculations for royalties are calculated by net earnings and interest. Earnings from IRAs and 401Ks are not included. Documentation will be required to verify theses sources of income, i.e., federal tax returns, statement of benefits and contract agreements for royalties income.

22. *Exclusion from Gross Monthly Income.* Gross monthly income shall not include casual, sporadic or irregular gifts; amounts that are specifically for or in reimbursement of medical expenses; inheritances; insurance payments (including payments under health and accident insurance and workmen's compensation, other than payments in

lieu of earnings); settlement for personal or property losses; amounts of education scholarships paid directly to the student or the educational institution and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purpose; special pay to a serviceman who is exposed to hostile fire; and foster child care payments.

B. Self-Employed Mortgagors

1. *Annual Family Income.* The procedure to calculate annual family income for self-employed mortgagors requires the following:

   (a) Depreciation and depletion is to be added back to the adjusted gross income (AGI) on all self-employed mortgagors.

   (b) Two years' current signed individual federal income tax returns with all applicable schedules.

   (c) Year-to-date Profit & Loss (if applicable).

   (d) U.S. Partnership Returns and U.S. Corporate federal income tax returns with all schedules and W-2 form (where applicable), with individual federal income tax returns (form 1040)

   Income must be averaged over a period of no less than 15 months, but no more than 27 months. Self-Employed mortgagors will need two years of federal income tax returns with a current Profit and Loss. After February 15 each year, the most "current year" federal income tax returns are required.

2. *Sole Proprietorship.* Sole Proprietorship is a business owned by one person. IRS form 1040—Schedule C or Schedule C-EZ is required.

   Sole Proprietorship income is detailed on Form 1040 (Schedule C) of U.S. income tax returns. This form will list all income, depreciation, and depletion which is added back to the AGI.

3. *General Partnership.* A General Partnership is a business owned by two or more partners. Each partner is personally liable for all debts of the business. Each partner is responsible for all other partners. The following documents are required:

   (a) IRS form 1065—Schedule K-1 & Schedule E, Part II.

   (b) U.S. Partnership Returns with all applicable schedules.

   General Partnerships require income to be calculated on form 1065 of U.S. Partnership Returns, to determine the share of net income distributable to each partner. This is reported on Schedule K-1 of form 1065 and on the individual's Schedule E, Part II; this amount is included in the AGI on form 1040. Note: The total depreciation and depletion will be determined by the number of the partners, and should be divided to determine what percentage or total dollar amount to be added back for each partner.

4. *Limited Partnerships*. Limited Partnerships are usually formed for investing money. Limited partners often take a loss on their investment, which reduces their taxable income. Liability is limited to the amount invested. The following documents are required:

   (a) IRS form 1065—Schedule K-1 & Schedule E, Part II.

   (b) U.S. Partnership Returns with all applicable schedules.

   Limited Partnerships require income to be taken from Schedule K-1 (form 1065), and the individual's Schedule E, Part II; this amount is included in the AGI on form 1040.

5. *S-Corp.* Usually a small start-up business requiring the following documentation:

(a) IRS forms 1120/1120S—Schedule K-1, Schedule E, II.

(b) Verification of W-2 earnings.

S Corporation's income is detailed on form 1120S (US federal income tax return for an S Corporation). Schedule K-1 will list borrower's percentage of ownership and ordinary income, depreciation and depletion from the S Corporation (this information is transferred to Schedule E, Section II of the individual tax returns). This income must be proportionately added back as determined by the percentage of ownership to the ordinary income since depreciation and depletion are actually non-cash expenses. The primary source of income for an owner comes from W-2 wages, which must be included in earnings in addition to corporate earnings.

6. Corporation. A Corporation requires a state charter and is a separate legal entity from its owners (stockholders). The corporation's profits (retained earnings) are put back into the business or are distributed to stockholders in the form of dividends. Stockholders are not responsible for the debts of the corporation. The following documentation is required to determine eligibility:

   (a) U.S. Corporation Income Tax Returns, form 1120 & Schedule L, (if applicable).

   (b) W-2 form.

   Corporations require income to be taken from the IRS form 1120, and Schedule L will show the current year corporate balance sheet. Income to the officers and stockholders is reported by W-2 forms and reflected on their individual form 1040.

   Dividend earnings are reported on 1099 forms and reflected on their individual returns.

C. Non-Borrowing Spouses, Partners All Other Occupants 18 Years or Older

AHFA programs require the income to be documented for the total household. Total household income is defined as the individuals 18 years of age or older who intend to occupy the property within the next 12 calendar months, even if they are not a party to the loan.

Documentation required for submission in Step 2:

1. Signed Non-Borrower Statement.

2. Either full income verification or alt doc income verification as required for all salaried or self-employed borrowers, or a signed Employment/Income Statement, if the occupant does not have ANY source of income.

3. Documentation of Social Security benefits, pensions, annuities, if applicable.

4. Applicable tax return transcripts (Target/Non-Target)

D. Currently Separated or Separating Spouses

All separated spouses' income documentation must also be submitted to AHFA compliance in Step 2. This is regardless of whether the separated spouse is a party to the loan, or even intends to occupy the property. The State of Alabama, for AHFA purposes, does not recognize "separated." The parties are considered either married or divorced.

Documentation required for submission in Step 2:

1. Signed Non-Borrower Statement

2. Full income documentation or alt doc documentation

3. Separation Agreement, including any Property Settlement Agreement

4. Applicable tax return transcripts (Target/Non-Target)

Please note: For all parties signing the Employment/Income Statement, AHFA withholds the right to require documentation from the IRS supporting the signed statement.

SECTION VIII—CLOSED LOAN PROCEDURES

A. ***Conditional Commitment***. Upon issuance of the Conditional Commitment, the Originator may close the loan in accordance to the conditions stated on the Conditional Commitment. These conditions include, but are not limited to:

1. MCC Transmittal Checklist
2. Request for Funding Checklist
3. Curative and closing requirements listed on online reservation system
4. Loans committed prior to February 15 of the current year which do not close until after February 15 must have the current year's signed and completed federal tax returns, and they must be sent to the Authority for approval prior to closing.
5. Copy of current pay stubs or VOE if over 90 days old as of closing
6. Copy of Recapture Settlement Disclosure
7. Copy of the Seller Affidavit
8. Copy of the Mortgagee's Certification
9. Copy of MCC Closing Reaffirmation
10. Copy of the Note
11. Copy of the Mortgage
12. Copy of the HUD-1/Settlement Statement

All items should be completed and agree with the Conditional Commitment, Eligible Mortgagor Affidavit and the Seller Affidavit.

B. ***Verifications of Credit Documents.*** All verifications should be less than three months (90 days) old at the time of closing or current information will be required. A letter or pay stub may be used in lieu of a VOE form if it contains all the items covered in the original verification. Credit documents more than 90 days old upon submission of the closed loan package could result in rejection of the MCC.

C. ***Seller Affidavit.*** The Originator provides the seller with the Seller Affidavit. The seller completes and signs the Seller Affidavit containing certain certifications required by the Authority and federal regulations. The certifications by the sellers are:

1. The seller is obligated to surrender possession of the residence to the mortgagor within 60 days after loan closing.
2. No interest is being paid to a related person.
3. The acquisition cost is true and correct as stated on the sales contract. No additional value has been given for any items not reflected.

4. The residence does not contain any unfinished areas that are suitable for completion and normally finished in homes similar to the residence sold or constructed by the seller.

5. The property being sold reasonably maintains the basic livability of the residence and no subdivision map, pursuant to which such land will be further subdivided, has been recorded.

6. No part of the mortgage loan proceeds will be used to repay an existing loan made by the seller or by any person on behalf of the buyer in connection with the residence except what is reflected on the Seller Affidavit.

7. In connection with the sale of the residence, the seller nor any person acting on the seller's behalf has entered into any contract, arrangement, or understanding to make any payment to any real estate broker, agent, or finder other than what is reflected on the Seller Affidavit.

D. ***Power of Attorney for Sellers.*** A general power of attorney is acceptable for the sellers. A copy will be required for closing.

E. ***Settlement Statement Fees.*** In connection with each mortgage loan, an Originator may charge and collect reasonable and customary charges from an eligible mortgagor or seller at closing. The charges may not exceed the usual and reasonable "settlement and financing costs" that are customary as follows:

1. "Settlement costs" include title and transfer costs, title insurance, survey fees and other similar costs; and

2. "Financing costs" include credit report fees, legal fees, appraisal expenses, points which are paid by the borrowers, or other costs of financing the residence.

3. The $500 commitment fee is a mandatory one-time charge. Originators are required to charge the total amount of $500. The MCC fee must be reflected on the HUD-1/Closing Statement. HUD will allow the purchaser to pay this fee. The fee, if paid by the seller, will not be included in the seller contribution. The VA will allow the veteran to pay this fee, but the veteran must sign a statement that the seller is not willing to pay it. Fannie Mae and RD will allow the purchaser to pay this fee. If the seller pays the fee, it will not be included in the seller contribution. The $500 MCC fee is refundable if the MCC is not issued.

4. A non-refundable MCC application fee of $200, kept by the Originator.

SECTION IX—LOAN DELIVERY

A. ***Review of the Mortgage Loan.*** The closed mortgage loan package, as stated on the MCC Transmittal Checklist, is to be received by the Authority within 10 days of loan closing.

Check the closed loan package to confirm all items requested on the MCC Transmittal Checklist, the Conditional Commitment and Request for Issuance of MCC are included in the package.

Upon completion of the compliance review, the Authority will issue the MCC. If the closed loan package is incomplete, a curative request will be issued. A minor curative request will be sent on a mortgage loan package with minor problems. A major curative request, on items that are considered by the Authority to be major in nature, will be subject to a $25 resubmission fee. Upon receipt of the requested information, the Authority will issue an MCC. Curative requests are to be corrected and delivered to the Authority within 14 days.

B. ***Final Documentation.*** The Originator is to submit the final mortgage loan documentation as stated on the MCC Transmittal Checklist within 10 days. This includes:

1. The MCC Transmittal Checklist

2. MCC Request for Conditional Commitment Checklist

3. Copy of current pay stub or VOE if more than 90 days old at the time of closing

4. Original Recapture Settlement Disclosure

5. Original Seller Affidavit

6. Original Mortgagee Certification

7. Original Reaffirmation at Closing

8. Copy of the Note

9. Copy of the Mortgage

10. Copy of the HUD-1 Settlement Statement

C. ***Issuance of the MCC.*** Upon receipt of the required closing documents, the Authority will issue the original MCC to the Mortgagor within 30 days. A copy of the MCC will be sent to the Originator. The Authority may perform random case post audits pertaining to MCCs.

D. ***Revocations.*** Revocation will occur on the discovery of any material misstatement, whether negligent or fraudulent. The Originator must notify the Authority in writing of any discovery of a material misstatement.

E. ***Originator's Federal Reporting.*** The Originator is required by the IRS to file a one-time report on or before January 31 for the MCCs issued for the previous calendar year. Transmittal of MCC and Explanation of Reporting will be sent to the Originator with every MCC issued. In early January, the Authority will send a computer print-out of the MCCs issued the previous year to the Originator, along with the IRS Form 8329. It is the Originator's responsibility to cross-check the computer print-out and file the IRS Form 8329. The Authority does not require a copy of the form.

For six (6) years after loan closing, the Originator must retain the following:

1. Name, address, and Social Security number or tax identification number (TIN) of the mortgagor.

2. Name, address, and TIN of the issuer:

   Alabama Housing Finance Authority
   P.O. Box 242967
   Montgomery, AL 36124-2967
   AHFA TIN #630980480

SECTION X—MORTGAGORS' UTILIZATION OF THE MCC

The Mortgagor may reduce the amount of monthly federal income tax withheld in order to have more disposable income with which to make loan payments. To do this, the Mortgagor should revise his W-4 form with his employer to claim the projected amount of the monthly credit. It is the Originator's responsibility to give the approximate amount to the Mortgagor before closing. (To calculate this amount, see Section VII, item A.) The Mortgagor should then use his amortization schedule to calculate the amount of benefits for each year and change this amount with the employer as needed.

The Authority encourages Mortgagors to check with a tax consultant to assess the impact of the MCC on their personal tax liability. The benefits to the homeowner cannot exceed the amount of federal taxes owed after all other credit and deductions have been taken into account. The Mortgagor has the ability to carry forward any unused portion for the next three years, but he must use the current year's MCC credit before carrying forward any additional amount.

A letter will be sent to the Mortgagor with the Mortgage Credit Certificate explaining how to claim the MCC and including an example of the IRS form. The mortgagors will need to utilize the appropriate form each year in order to receive the credit.

SECTION XI—MODIFICATIONS

It is the Originator's responsibility to notify the Authority of any modifications. Expiration dates, penalties and extensions are addressed in Section VI.

1. *Reservation Expiration.* If the reservation has expired, you must request an extension which is subject to approval by the Authority.

2. *Mortgage Decrease*. Mortgage amount decreases will require approval by the Authority.

3. *Mortgage Increase.* Mortgage amount increases will require approval by the Authority and will be subject to the availability of funds.

4. *Property Address.* Property address changes require approval of the Authority.

   Note: Changes may require resubmission of a new Target ID Status Form and additional information if the property status changes.

5. *Income.* The eligibility of a Mortgagor for an MCC is based upon the Mortgagor's current projected income. If the Mortgagor's income has increased since the submission of the Request for Conditional Commitment package, revised documentation is required to ensure continued compliance with income limitations as established in Section II of this Procedural Manual. If the Mortgagor's income has decreased, no notification will be necessary.

6. *Marriage.* If the Mortgagor marries prior to loan closing, the spouse's income must be included in the total annual family income. The Originator must obtain this information prior to closing and submit these documents to the Authority. The annual family income may not exceed the income limitations as established in Section II of this Procedural Manual. The spouse will also have to meet all MCC requirements as established in Sections II, III and IV of this manual.

7. *Acquisition/Sales Price.* If the acquisition cost is amended prior to the loan closing, an amended sales contract must be forwarded to the Authority and is subject to approval. The change in acquisition cost may not exceed the applicable sales price limitations, as set forth in Section IV of this Procedural Manual or the MCC approval will be revoked.

SECTION XII—RECAPTURE

Recapture Tax from Eligible Mortgagors to the United States Government. With respect to mortgage loans closed on or after January 1, 1991, the Internal Revenue Code of 1986, as amended (the "code"), subjects eligible mortgagors to the imposition of federal recapture tax to be paid to the United States Government upon disposition of a residence. The maximum amount of such recapture tax is 6.25% of the original amount of the mortgage loan but shall not exceed 50% of the gain upon disposition. The recapture tax generally increases during the first five years of ownership and decreases during the following four years. No recapture tax will be imposed if the residence is owned for more than nine years. Several factors will determine the amount, if any, of the recapture tax liability. The recapture tax will be based on the amount of mortgage loan, the length of ownership of the residence, the income of the eligible mortgagor at the time of the sale and the gain realized on the sale of the residence. It is conceivable that Congress may revise the recapture provisions. The Authority reserves the right to modify the program documents to ensure compliance with all recapture provisions imposed by the Code. At the time of application for a MCC loan, the Originator shall obtain from the eligible mortgagor an executed Recapture Application Disclosure. Even though the code may change at a later date, recapture will be based upon the figures given on the Recapture Settlement Disclosure as of closing.

Additionally, Originators may be required to act as agent for the Authority to disclose information as required by the Code to eligible mortgagors. For a mortgagor to be subject to recapture, all of the following must happen:

1. The residence is sold within nine years, and

2. The annual family income is greater than the amount stated on the Recapture Settlement Disclosure, and

3. There is a gain from the sale of the residence as defined.

All three items listed above must happen in order for the mortgagor/seller to be subject to recapture. If the mortgagor/seller meets only one or two of the requirements, no recapture tax is imposed on the sale.

A mortgagor who decides to refinance will be subject to all conditions set forth in the guidelines from the date of the original note. The mortgagor forfeits the benefit of the MCC upon refinancing, but recapture is applicable only upon the sale or transfer of title of the property.

The homeowner will be responsible for the IRS reporting and recapture payment at the time of income tax filing after the sale.

It is the Originator's responsibility to calculate the recapture amount on the Recapture Settlement Disclosure and notify the Authority if the loan amount changes.

A set of current Recapture Settlement Disclosure forms may be found on the Online Document System. It is the Originator's responsibility to provide the Recapture Settlement Disclosure with the loan closing documents.

RECAPTURE TAX: AN EXAMPLE

Mr. and Mrs. Smith purchase a home for $70,000 in Montgomery. Mr. and Mrs. Smith's income at this time is $35,000. They have two persons in the household and the house is located in a target area. They choose to finance their new home with proceeds from an Authority MCC loan. The Smiths close their mortgage loan in the amount of $69,010 on January 1, 1993, and move into their new home. In 1997, a new member of the family arrives. The Smiths decide a larger home would better fit their needs. They place their home on the market and sell it. The sale (transfer of ownership) closes on April 25, 1998.

Questions:
Are Mr. and Mrs. Smith subject to recapture?
If so, will the three adjustments reduce how much they pay?

Factor # 1: Date of Sale/Holding Period Percentage

Recapture is based on the annual period of ownership for the first nine years. If ownership exceeds nine years (108 months), the recapture tax does NOT apply.

Holding Period Percentage (HPP):

Year 1 (0-12 months).....20%
Year 2 (13-24 months).....40%
Year 3 (25-36 months).....60%
Year 4 (37-48 months).....80%
Year 5 (49-60 months).....100%
Year 6 (61-72 months).....80%
Year 7 (73-84 months).....60%
Year 8 (85-96 months).....40%
Year 9 (97-108 months).....20%

Key dates to compute the ownership period:

1) the date of the original mortgage, and
2) the date of disposition (title is transferred).

Mr. and Mrs. Smith closed the original mortgage loan on January 1, 1993. They transferred title on April 25, 1998.

The Smiths' ownership period is:

January 1, 1993 - December 31, 1993 = 1 year
January 1, 1994 - December 31, 1994 = 2 years
January 1, 1995 - December 31, 1995 = 3 years
January 1, 1996 - December 31, 1996 = 4 years
January 1, 1997 - December 31, 1997 = 5 years
January 1, 1998 - April 25, 1998 = 5 years 4 months

5 years 4 months = 64 months

Mr. and Mrs. Smith will be subject to no more than 80% of the maximum recapture tax due to the HPP adjustment.

Factor #2: Income/Family Size at Time of Disposition

The recapture amount is based on the income and family size at the time of disposition. (This income is the "Modified Adjusted Gross Income" shown on the federal tax return for the year in which the residence is sold.)

Example #1

At the time of disposition (April 25, 1998), Mr. and Mrs. Smith are making $55,000 annually. They have increased their family members by one, making a total of three in their household.

The house which was sold is located in a target area in Montgomery. The length of ownership is 5 years 4 months (64 months), which equals five full years of ownership for the income calculation.

MONTGOMERY MSA (Autauga, Elmore, Lowndes & Montgomery Counties)

	Non-Target		Target	
Full Years of Ownership	3 or more	Less than 3	3 or more	Less than 3
0 (01 - 12 months)	40,480	35,200	49,280	42,240
1 (13 - 24 months)	42,504	36,960	51,744	44,352
2 (25 - 36 months)	44,629	38,808	54,331	46,570
3 (37 - 48 months)	46,860	40,748	57,048	48,899
4 (49 - 60 months)	49,203	42,785	59,900	51,344
5 (61 - 72 months)	51,663	44,924	62,895	53,911
6 (73 - 84 months)	54,246	47,170	66,040	56,607
7 (85 - 96 months)	56,958	49,529	69,342	59,437
8 (97 - 108 months)	59,806	52,005	72,809	62,409

Mr. and Mrs. Smith are not subject to the "recapture" tax, because their income does not exceed the income limits based on five FULL years of ownership of $62,895.

Example #2

At the time of disposition (April 25, 1998), Mr. and Mrs. Smith are making $65,000 annually. They have increased their family size by one member, making a total of three in their household. The house which was sold is located in a target area in Montgomery.

MONTGOMERY MSA (Autauga, Elmore, Lowndes & Montgomery Counties)

	Non-Target		Target	
Full Years of Ownership	3 or more	Less than 3	3 or more	Less than 3
0 (01 - 12 months)	40,480	35,200	49,280	42,240
1 (13 - 24 months)	42,504	36,960	51,744	44,352
2 (25 - 36 months)	44,629	38,808	54,331	46,570

3 (37 - 48 months)	46,860	40,748	57,048	48,899
4 (49 - 60 months)	49,203	42,785	59,900	51,344
5 (61 - 72 months)	44,924	51,663	53,911	62,895
6 (73 - 84 months)	54,246	47,170	66,040	56,607
7 (85 - 96 months)	56,958	49,529	69,342	59,437
8 (97 - 108 months)	59,806	52,005	72,809	62,409

To arrive at a percentage of recapture based on income calculations (rounded to nearest whole percentage), the IRS provides a provisional $5,000 limit over the maximum income limit. This can serve to lower the recapture tax amount:

$65,000 - 62,895 = $2,105 / 5,000 = 42%

Mortgage Loan Amount x 6.25% = MAXIMUM RECAPTURE

or

$69,010 x 6.25% = $4,313.13
$4,313.13 x 80% (HPP calculation) = $ 3,450.50
$3,450.50 x 42% = $1,449.21 RECAPTURE

Maximum recapture will be $1,449.21, but will never exceed 50% of the gain.

Example #3

At the time of disposition (April 25, 1998), Mr. and Mrs. Smith are making $70,000 annually. They have increased their family members by one making a total of three in their household. The home is located in a target area in Montgomery.

MONTGOMERY MSA (Autauga, Elmore, Lowndes & Montgomery Counties)

	Non-Target		Target	
Full Years of Ownership	3 or more	Less than 3	3 or more	Less than 3
0 (01 - 12 months)	40,480	35,200	49,280	42,240
1 (13 - 24 months)	42,504	36,960	51,744	44,352
2 (25 - 36 months)	44,629	38,808	54,331	46,570
3 (37 - 48 months)	46,860	40,748	57,048	48,899
4 (49 - 60 months)	49,203	42,785	59,900	51,344
5 (61 - 72 months)	51,633	44,924	62,985	53,911
6 (73 - 84 months)	54,246	47,710	66,040	56,607
7 (85 - 96 months)	56,958	49,529	69,342	59,437
8 (97 - 108 months)	59,806	52,005	72,809	62,409

Mr. and Mrs. Smith are subject to recapture based on their income/family size at disposition and length of ownership.

$70,000 - $62,895 = $7,105 / 5,000 = 1.42 or 142%
(calculations are capped at 100%)
Mortgage Loan Amount x 6.25% = MAXIMUM RECAPTURE

or

$69,010 x 6.25% = $4,313.13
$4,313.13 x 80% (HPP calculation) = $3,450.50
$3,450.50 x 100% = 3,450.50 RECAPTURE

Maximum recapture will be $3,450.50, but will never exceed 50% of the gain.

DEFINITION OF GAIN

The IRS has defined gain as the "Amount Realized" on the disposition minus the "Adjusted Basis" of the residence.

Under general federal tax principles, the "Amount Realized" equals the selling price of the residence less selling expenses. Selling expenses typically include real estate commissions, advertising, legal fees and loan charges (or "points") paid by the seller. The seller may also deduct from the sales price any fixing-up expenses incurred during the 90-day period prior to signing a contract to sell the house. Fixing-up expense include such items as painting, repairing leaks or replacing broken windows.

The "Adjusted Basis" of the residence is generally the original cost of the residence plus any additions or improvements which add value to the residence, prolong its useful life or adapt it to new uses (i.e., rewiring the house, adding a bathroom or putting on a new roof).

GAIN = AMOUNT REALIZED minus ADJUSTED BASIS

EXAMPLE:

Mr. and Mrs. Smith purchased a home in 1993 for $70,000. Mr. and Mrs. Smith add a bedroom two years later for a cost of $5,000, thus making a total of $75,000 "Adjusted Basis."

Mr. and Mrs. Smith sell their home in 1998 for $90,000. They pay all closing costs and real estate commissions, plus make repairs to comply with the appraisal for a total dollar amount of $7,000. Thus the "Amount Realized" is $83,000.

$83,000 minus $75,000 = $8,000 Total Gain
(Maximum Recapture Tax may not exceed 50% of Gain)

Maximum recapture will be $4,000, since it never exceeds 50% of the gain.

The recapture tax could be further reduced or eliminated due to the income and holding period calculations.

Remember other factors enter into the recapture calculation, such as original loan amount, length of ownership and income at time of sale.

SECTION XII—RELATED PERSON DEFINITION

"Related person" means persons with any relationship which would result in disallowance of losses under Subsection 267 and 707(B) of the Internal Revenue Code of 1986 ("Code").

The definition of a "related person" is as follows:

1. Members of a family including only a person's brothers and sisters (whether by whole or half blood), spouse, ancestors and lineal descendants;

2. An individual and a corporation more than 50% in value of the outstanding stock of which is owned, directly or indirectly, by or for such individual;

3. As partnership and an individual owning, directly or indirectly, more than 50% of the capital interest or profits interest in such partnership;

4. Two corporations which are members of the same controlled group, defined as:

(a) a parent-subsidiary controlled group of corporations connected through stock ownership with a common parent corporation where stock of each corporation (other than the common parent corporation), possessing at least 50% of the total combined voting power or value of all classes to stock, is owned by one or more of the other corporation in the group, and the common parent corporation owns (including through constructive ownership by attribution under SS1563 [e] of the Code) stock possessing at least 50% of the total combined voting power of value of all classes of stock of at least one of the other corporations;

(b) a brother-sister controlled group of corporations consisting of two or more corporations of which stock possessing at least 50% of the total combined voting power of value is owned by five of fewer individuals, estates or trusts (including constructive ownership by attribution), and such persons value of all classes of stock of each corporation, taking into account only stock ownership that is identical as to each corporation; or

(c) a combined group of parent-subsidiary or brother-sister corporations;

5. Two partnerships in which the same persons own, directly or indirectly, more than 50% of the capital interests or profit interests;

6. A grantor and a fiduciary of any trust;

7. Fiduciaries of two trusts of which the same person is grantor;

8. A fiduciary and a beneficiary of any trust;

9. A fiduciary of one trust and a beneficiary of another trust, if the same person is grantor of both trusts;

10. A fiduciary of a trust and a corporation of which more than 50% in value of the outstanding stock is owned, directly or indirectly, by or for the trust or a grantor of the trust.

11. A person and a tax-exempt organization which is controlled, directly or indirectly, by such person or, if such person is an individual, by members of such person's family (as defined above);

12. A corporation and a partnership if the same persons own more than 50% of the value of the outstanding stock of the corporation and more than 50% of the capital interest in the partnership;

13. Two subchapter S corporations if the same persons own more than 50% in value of the outstanding stock of each corporation; and

14. A subchapter S corporation and a regular C corporation if the same persons own more than 50% in value of the outstanding stock of each corporation.

The foregoing relationship rules are applied based upon constructive ownership of stock as follows:

1. Stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust shall be constructively owned proportionately by or fore its shareholders, partners or beneficiaries;

2. An individual who owns stock by members of his family (as defined above);

3. An individual who owns stock directly (but not constructively through family members) in a corporation constructively owns any stock owned, directly or indirectly, by or for his partner;

4. For purposes of determining constructive ownership of stock, only stock constructively owned because of family relationship shall be treated as actually owned for purposes of 1, 2, and 3; and

5. Similar principles apply in determining constructive ownership on interest in a partnership, except that there shall be no attribution between partners, and interest owned by a corporation shall be constructively owned by shareholders owning, directly or indirectly, 5% or more in value of the outstanding stock.

REQUIRED FORMS

1. MCC Transmittal Checklist (Step 1) 46
2. MCC Transmittal Checklist (Step 2) 47
3. MCC Transmittal Checklist (Step 3) 48
4. MCC Reservation Form 49
5. Recapture Application Disclosure 50
6. Target Area ID Status Request 52
7. Transfer of Allocation Form 53
8. MCC Reservation Checklist - Step 1 54
9. Income Calculation Worksheet 55
10. Eligible Mortgagor Affidavit 57
11. Child Support Statement 61
12. Co-Signer/Non-Occupant Statement 62
13. Employment Statement 63
14. Full-Time Student Statement 64
15. Income Tax Statement 65
16. Occupancy Statement 66
17. Commercial Property Statement 67
18. Non-Borrower Statement 68
19. MCC Request for Conditional Commitment Checklist - Step 2 69
20. Seller Affidavit 72
21. MCC Closing Reaffirmation 74
22. Mortgagee's Certification 75
23. Request for Funding Checklist 77
24. Mortgage Interest Credit (IRS Form 8396) 79
25. Lender's Information Return for MCCs (IRS Form 8329) 81
26. Employee's Withholding Allowance Certificate (IRS Form W-4) 83
27. Request for Transcript of Tax Return (IRS Form 4506-T) 85
28. MCC Tax Credit Worksheet 87
29. Quality Control Certification and Authorization 88

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

MCC TRANSMITTAL CHECKLIST

Lender:
AHFA Commitment:

Processor's Name_____ Phone # _____
Home Office Contact_____ Phone # _____

Mortgagor(s):

STEP 1—Reservation Package (Submit to AHFA)

- ☐ Reservation Acceptance Printout
- ☐ MCC Transmittal Checklist
- ☐ Reservation Checklist
- ☐ Executed MCC Reservation Form
- ☐ $500 MCC Commitment Fee (certified funds, lender's check, or cashier's check)
- ☐ Copy of the executed loan application
- ☐ Copy of the executed sales contract
- ☐ Copy of the location map and Target Area ID Request (target only)
- ☐ Original of the Recapture Application Disclosure

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

MCC TRANSMITTAL CHECKLIST

Lender:
AHFA Commitment:

Processor's Name_____ Phone # _____
Home Office Contact_____ Phone # _____

Mortgagor(s):

STEP 2—Request for MCC Conditional Commitment (Submit to AHFA)

- ☐ MCC Transmittal Checklist
- ☐ Request for Conditional Commitment Checklist
- ☐ MCC Income Calculation Worksheet
- ☐ Copy of the Eligible Mortgagor's Affidavit
- ☐ Copy of most recent year's IRS tax transcripts for all occupants 18 years of age and older for target property (must have current returns if loan closes after Feb. 15)
- ☐ Copy of most recent three years' IRS tax transcripts for all occupants 18 years of age and older for non-target property (must have current returns if loan closes after Feb. 15)
- ☐ Copy of Verification of Employment
- ☐ Non-Borrower Statement (if applicable)
- ☐ Copy of pay stubs and other income documentation
- ☐ Copy of driver's license for all occupants 18 years of age and older (Note: AHFA will be reviewing for signature consistency throughout the file)

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

MCC TRANSMITTAL CHECKLIST

Lender:
AHFA Commitment:

Processor's Name_____ Phone # _____
Home Office Contact_____ Phone # _____

Mortgagor(s):

STEP 3—Request for Issuance of MCC Certificate

- ☐ MCC Transmittal Checklist
- ☐ MCC Request for Funding Checklist, Step 3
- ☐ Closing requirements listed on the Conditional Commitment
- ☐ Copy of current pay stub or VOE if more than 90 days old at time of closing
- ☐ Original Recapture Settlement Disclosure
- ☐ Original Seller's Affidavit*
- ☐ Original Mortgagee Certification*
- ☐ Original Reaffirmation at Closing*
- ☐ Original Eligible Mortgagor's Affidavit*
- ☐ Copy of the Note
- ☐ Copy of the Mortgage
- ☐ Copy of the HUD-1/Settlement Statement

*Original affidavits must be mailed or overnighted to the Authority after copies are uploaded through eDocs. The MCC will not be issued until the original affidavits are received and verified for accuracy and compliance.

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

MCC RESERVATION FORM

INSTRUCTIONS TO ORIGINATOR: When preparing for Reservation of Funds and rate commitment, the information on this form will be required in order to issue a commitment number. We must receive the reservation package within 72 hours (3 working days) of the reservation commitment. Failure to deliver the documentation within the time period specified may result in cancellation of the Reservation of Funds and rate commitment.

Commitment #: Commitment Expires: Application Expires:

1st Mortgage

Program:
Loan Type: Lender Loan #:
Loan Amt: Term: Interest Rate:

Borrower

SS#:
First Name: MI: Last Name:
DOB: _____ Age: Ethnicity:
Marital Status: Single Parent: Sex:

Co-Borrower

SS#:
First Name: MI: Last Name:
Marital Status: Single Parent: Sex:

Property

Purchase Amt: Acquisition Cost:
New/Exist/Rehab:
Year Built: No. of Units: Housing Type:

Property Address

Address:
City: Zip:
County: Census Tract:
Targeted Area ? Block Group: Community Code:
Project: Builder:

Annual Income

Borrower Wages: Other: From Assets:
Co-Borrower Wages: Other: From Assets:
Non-Applicant: Total:

Household

Household Size: Prior Homeowner (last three years?): _____

MCC Rate Disclosure

I have applied for a Mortgage Credit Certificate with a credit rate of _____ %, a commitment fee of $0 with Step Up reservation # _____, or a commitment fee of $500 for a stand-alone MCC. I understand that once the reservation is confirmed by the lender's reservation commitment I must remit the **non-refundable fee** within 72 hours of the confirmation and that my loan must close and disburse on or before the application expiration date of _____. I further understand the MCC application is subject to approval by the Alabama Housing Finance Authority.

_____ _____
Borrower Date

_____ _____
Co-Borrower Date

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

RECAPTURE APPLICATION DISCLOSURE

RECAPTURE TAX: WHAT DOES IT MEAN AND WHO WILL PAY IT?

The below-market rate on your home mortgage loan is made possible through the issuance of tax-exempt First Step Mortgage Revenue Bonds (the "Bonds") or assistance by the Mortgage Credit Certificate Program (the "MCC") issued by the Alabama Housing Finance Authority. A law passed by Congress in 1988 requires homeowners who receive these Loans after December 31, 1990, to repay a portion of that subsidy if their incomes rise significantly over the first nine years of homeownership.

The potential tax, which would not be imposed until you resell the residence, increases over the first five years of ownership and decreases for the following four years. No tax will be imposed if you own your home for more than nine years.

During the nine years in which recapture may apply to you, several factors will determine the amount, if any, of recapture tax that you would pay. The tax will be based on your original mortgage amount, length of ownership, your income at time of sale, and the gain that your realize on the sale of your residence. In no instance could recapture ever equal more than half the gain on sale. In addition, if your income does not rise significantly over the life of the loan, you may not have to pay recapture tax.

If you do sell your home within the first nine years of ownership, you must pay this tax to the federal government when you file your federal tax return for the year of sale. Because your income and family size may change over the period you own your home, there is no way to predict your exact tax liability. The maximum tax you might pay, however, can be determined by multiplying your loan amount by 6.25 percent, which is the federal government's estimate of the average mortgage subsidy.

If you sell the Residence and the new buyer agrees to assume the Mortgage Loan obligation (which may occur only if the new buyer meets the program requirements concerning principal residence, first-time home buyer [except in targeted areas] acquisition cost and income limits) you may be subject to payment of the Recapture Amount and the new buyer will be subject to the recapture provisions described herein during a new nine-year recapture period commencing on the date of the sale (a Mortgage Credit Certificate is not assumable).

All references to the sale of the Residence include any disposition, whether by sale, exchange or involuntary conversion (such as the assignment of the Mortgage Loan to an insurance company as a result of a fire), you are to assume that you sold the Residence at its fair market value. If you own the Residence with one or more persons who are also liable on the Mortgage Loan, each person's Recapture Amount will be determined separately in accordance with their interest in the Residence. If the Mortgage Loan is fully repaid at a time prior to the sale of disposition of the Residence, you may be subject to the payment of the Recapture Amount upon such sale or disposition.

If the residence is destroyed in whole or in part by fire, storm or other casualty causing a compulsory or involuntary disposition of the Residence, you will not have to pay any Recapture Amount with respect to such disposition if, within two years after the end of the taxable year in which you receive insurance proceeds or other amounts as a result of the destruction, you purchase another principal residence on the same site. Generally, no Recapture Amount would be due if you transfer the Residence to a spouse, or a former spouse as a result of a divorce. In such event, your spouse (or former spouse) will be treated as if he or she was the owner of the Residence from the time that you purchased the Residence. No Recapture Amount will be due with respect to the Residence if the Residence is transferred as a result of your death.

HOW TO CALCULATE YOUR POTENTIAL RECAPTURE TAX

INFORMATION NEEDED FOR THE CALCULATION
(these figures are hypothetical—use your own data)

Original Loan Amount - $55,000
Original Borrower Income - $20,000
Program Income Limit When Loan Was Made - $23,000
Number of years Loan was Held - 6 years, 2 months
Borrower's Modified Adjusted Gross Income at Sale - $32,000 (this is the figure on your federal tax return)
Borrower's Gain on Sale of Home - $12,000

STEPS IN CALCULATING THE AMOUNT OF RECAPTURE TAX

1. Federally Subsidized Amount: The estimated total interest subsidy on your mortgage. Loan amount X 6.25% (Estimated subsidy calculation), or $55,000 X .0625 = $3,438.

2. Holding Period Percentage: An adjustment in recapture related to length of ownership during the eligible recapture period (first nine years). NOTE: To determine this percentage, round up on length of ownership (i.e. if you have owned the home for 6 years and 2 months, use year 7).

YEAR OF DISPOSITION

Year 1 (0-12 months) - 20%	Year 4 (37-48 months) - 80%	Year 7 (73-84 months) - 60%
Year 2 (13-24 months) - 40%	Year 5 (49-60 months) - 100%	Year 8 (85-96 months) - 40%
Year 3 (25-36 months) - 60%	Year 6 (61-72 months) - 80%	Year 9 (97-108 months) - 20%

3. Income Percentage: An adjustment in recapture based on your income at time of sale. If your income falls below a certain threshold, you pay no tax.

   To calculate the recapture percentage use the applicable income Limit when Loan was made plus five percent increase compounded annually for each FULL year you loan was outstanding: = $23,000 X (1.05) 6 = $30,822 subtracted from the Modified Adjusted Gross Income: = $32,000 - $30,822 = $1,178 divided by $5,000 to obtain income percentage: = $1,178/$5,000 = 24%

4. Actual Recapture Tax: Multiply the federal subsidy by the Holding Period Percentage and the Income Percentage $3,438 X .6 X .24 = $495

NOTE: Recapture can never equal more than half the gain on the sale of your home (i.e. if you have no gain-you pay no recapture).

THE UNDERSIGNED ACKNOWLEDGES THAT I/WE HAVE READ AND UNDERSTOOD THE ABOVE DISCLOSURE.

Date: _____ Applicant: _____

Date: _____ Applicant: _____

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

TARGET AREA ID STATUS REQUEST

Please e-mail completed form to AHFA at *compliance@ahfa.com***.**

Date: _____

Remit To: _____

Commitment #: _____

County: _____

Address: _____

_____

Please include Location Map* with property specifically marked.
** New construction properties may require an appraisal map.*

Contact Person: _____

Telephone #: _____ E-mail: _____

For AHFA Use Only — Do Not Write Below This Line

Circle One: Target Non-Target

_____ _____
Alabama Housing Finance Authority Date

Revised 11/13

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

TRANSFER OF ALLOCATION FORM

To: Alabama Housing Finance Authority
Attn: Single-Family Administrator
P.O. Box 242967
Montgomery, AL 36124-2967

From: _____

_____

_____

_____

Date: _____

Commitment Number:

Rate:

Name of Participant-Transferor: _____

Name of Participant-Transferee: _____

Amount of Transfer: $ _____

Terms, conditions, and reason for the transfer:

_____ _____
Signature of Transferor Signature of Transferee

Approved:

_____ _____
Single-Family Administrator for Alabama Housing Finance Authority Date

Revised 08/11

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

MCC RESERVATION CHECKLIST (STEP 1)

Originator:

AHFA Commitment No.:

Mortgagor(s):

Property Address:

YES	NO	
☐	☐	Reservation form is complete
☐	☐	Commitment number for verification of reservation is assigned
☐	☐	Check for $500 MCC commitment fee is attached
☐	☐	Copy of the initial loan application, fully completed, signed and dated by the lender and the mortgagors
☐	☐	If dated before the MCC issue, a conversion letter is attached
☐	☐	Copy of the sales contract signed and dated by of all parties
☐	☐	Any corrections are initialed by all parties
☐	☐	Sales price is within guidelines
☐	☐	If the property is in a target area, the Target Area ID Status Request is completed
☐	☐	Location map of property is attached with property specifically marked with an “X”
☐	☐	Original and one copy of the Recapture Application Disclosure has been signed and dated by borrowers

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

INCOME CALCULATION WORKSHEET

(PRIOR TO LOAN CLOSING)

AHFA COMMITMENT #:

MORTGAGOR(S) NAME:

NUMBER IN FAMILY:

MAXIMUM INCOME LIMIT: _____

Reflect the annual income based on the current income of the mortgagor(s). If the verification documents are more than three months (90 days) old at the time of closing, update the verification documents. Note: These documents must comply with the applicable program guidelines.

MORTGAGOR'S INCOME:	(ANNUALIZED)	
Wages, salary, and tips	FULL-TIME	PART-TIME
Hourly/weekly/monthly rate	$_____	$_____
No. of hours/weeks/months	X_____	X_____
Base Salary	$_____	$_____
Overtime pay rate	$_____	$_____
Average No. of hours/months	X_____	X_____
Monthly Overtime Pay(*)	$_____*	$_____*
Average Bonus for 2 years (*) If consistent to last year	$_____*	$_____*

CO-MORTGAGOR'S INCOME:		
Wages, salary, and tips	FULL-TIME	PART-TIME
Hourly/weekly/monthly rate	$_____	$_____
No. of hours/weeks/months	X_____	X_____
Base Salary	$_____	$_____
Overtime pay rate	$_____	$_____
Average No. of hours/months	X_____	X_____
Monthly Overtime Pay (*)	$_____*	$_____*
Average Bonus for 2 years (*) if consistent to last year	$_____*	$_____*
Interest and/or Dividend Income (averaged)		$_____**
Net Rental Income		$_____**
Royalties, partnerships, estates, and/or trusts		$_____**
Pensions, VA, and/or Unemployment Compensation		$_____**

Social Security Benefits	$_____**
Alimony and/or Child Support	$_____**
Business Income	$_____**
Other Income (List type and provide verification)	
_____	$_____**
_____	$_____**
Total Gross Monthly Income	$_____
Add all the lines designated by *	$_____
Add all the lines designated by **	$_____
	X 12
Total Annual Income	$_____

Does the annual income exceed the maximum income limit shown on page 1? ☐Yes ☐No

NOTE: INCOME MUST BE DERIVED FROM ALL SOURCES, TAXABLE AND NON-TAXABLE. IF INCOME WILL NOT CONTINUE, EVIDENCE MUST BE PROVIDED.

_____ _____

Signature of Originating Lender Date

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

ELIGIBLE MORTGAGOR AFFIDAVIT

The undersigned, as proposed purchaser(s) (the "Mortgagor") of a Residence (the "Residence"), requests the financing which is to be provided through the benefit of the MCC program provided by the Alabama Housing Finance Authority (the "Authority"), as an essential part of the mortgage loan application process hereby represents and warrants, under penalty of perjury, as follows:

MORTGAGOR CERTIFICATIONS AND ELIGIBILITY

1. MORTGAGOR UNDERSTANDS THAT THIS AFFIDAVIT MUST BE COMPLETED AND SIGNED BY ALL PERSONS OBTAINING A MORTGAGE LOAN. MORTGAGOR UNDERSTANDS FURTHER THAT IF MORTGAGOR HAS MADE ANY MATERIAL MISSTATEMENTS IN THE FOLLOWING INFORMATION OR REPRESENTATIONS OR HAS OMITTED TO STATE ANY OF THE INFORMATION REQUESTED, THIS WILL BE CONSIDERED AN EVENT OF DEFAULT UNDER THE MORTGAGE LOAN AND THE MCC WILL BE REVOKED.

2. MORTGAGOR UNDERSTANDS THAT IT IS A FEDERAL OFFENSE PUNISHABLE BY A MAXIMUM OF A $10,000 FINE, TWO YEARS' IMPRISONMENT, OR BOTH, KNOWINGLY TO MAKE A FALSE STATEMENT IN THIS AFFIDAVIT (TITLE 18, UNITED STATES CODE, SECTION 1014). MORTGAGOR HAS READ THIS AFFIDAVIT CAREFULLY TO BE SURE THE INFORMATION CONTAINED HEREIN IS TRUE AND COMPLETE BEFORE SIGNING THIS AFFIDAVIT. MORTGAGOR UNDERSTANDS THAT THE INFORMATION GIVEN BY MORTGAGOR IN THIS AFFIDAVIT IS SUBJECT TO VERIFICATION BY THE AUTHORITY.

3. The information in this affidavit and the mortgage loan application for which this affidavit is filed is true, accurate and complete.

4. Mortgagor will not use any part of the mortgage loan proceeds to acquire or replace an existing mortgage loan (other than a construction loan not exceeding a term of 24 months and originally incurred within 24 months of the closing of the mortgage loan).

5. The Mortgagor is aware that the Mortgage Credit Certificate cannot be assumed.

6. Mortgagor will occupy the residence as mortgagor's principal and permanent place of residence within 60 days after the closing of the mortgage loan.

7. Mortgagor will not rent, lease, assign or transfer any interest in the residence to another party and has not entered into any agreement to do so. Mortgagor will not use the residence as investment property and will not receive any income from the residence or the land. The mortgagor(s) understand and agree they may no longer claim the MCC if they sell the residence or they no longer occupy the property as their permanent primary residence.

8. Mortgagor will not use the residence in a trade or business and will not deduct any portion of the cost of the residence as a home business expense on Mortgagor's income tax returns. No portion of the residence is specifically designated for any commercial use.

9. Mortgagor will not use the residence as a recreational, seasonal, vacation or second residence.

10. Mortgagor has been advised that the value of the Mortgage Credit Certificate varies according to individual tax liability.

11. Mortgagor understands that the Mortgage Credit Certificate application fee is non-refundable.

12. Mortgagor certifies that the first mortgage combined with the Mortgage Credit Certificate does not constitute a prohibited mortgage.

13. Mortgagor certifies that application for the Mortgage Credit Certificate was not directed to a particular lender.

14. Mortgagor understands and agrees that the Authority will not inspect the property for defects and will not underwrite

the loan from a credit standpoint. Mortgagor agrees to hold the Authority harmless from any action or inaction on the part of the lender, the seller, or any other party involved.

IF THE PROPERTY IS IN A DESIGNATED TARGET AREA, YOU MAY SKIP TO NUMBER 17.

15. Mortgagor has not had a present ownership interest in a principal residence at any time during the three-year period prior to the closing of this mortgage loan.

    (a) Mortgagor understands that "present ownership interest" includes the following types of interest: a fee simple interest; a joint tenancy, a tenancy in common or tenancy by the entirety; the interest of a tenant-stockholder in a cooperative; a life estate; a land contract (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time, e.g., bond for title); or an interest in a trust established by mortgagor or some other persons.

    (b) Mortgagor further understands that a "present ownership interest" is not created by: a remainder interest; an ordinary lease, with or without an option to purchase; a mere expectancy to inherit a residence, an ownership interest in a residence that is not occupied as principal residence. e.g., a vacation home or rental property; dower or curtesy.

16. Mortgagor has not had a present ownership interest in a mobile or manufactured home which was the mortgagor's principal residence at any time during the three-year period prior to the closing of this mortgage loan. If mortgagor has leased and did not own the land on which the mobile home or trailer was located, a copy of the lease is attached (or, if not attached, the land was leased for periods not in excess of a single three year period from _____ _____ during the period of_____ to_____ for the monthly amount of $_____ _____), the mobile or manufactured home was not permanently affixed to the land and its removal did not violate any agreement with the owner of the land.

17. The number of persons in the mortgagor's family, including the mortgagor, and all other persons who will live in the residence is _____.

18. The current annual family income is the gross annual income for the "current year" (as defined below) of any person who is expected to live in the residence being financed, except a person who is under 18 years of age or a full-time student earning no income for the next 12 months (but income of the head of the household's spouse who is expected to live in the residence shall be taken into account) and any other person who is expected to live in the residence being financed whether or not he/she is secondarily liable on the mortgage loan.

    The gross annual income includes gross monthly pay; any additional income from overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, Veterans Administration (VA) compensation, net rental income, etc.; and other income (such as alimony, child support, public assistance, sick pay, Social Security benefits, unemployment compensation, income received from trusts, and income received from business activities and investments).

    Gross annual income shall not include casual, sporadic or irregular gifts; amounts that are specifically for or in reimbursement of medical expenses; inheritances; insurance payments (including payments under health and accident insurance and workmen's compensation, other than payments in lieu of earnings); settlement for personal or property losses; amounts of education scholarships paid directly to the student or the educational institution and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purpose; special pay to a serviceman who is exposed to hostile fire; and foster child care payments.

    * "Current year" shall mean the 12-month period beginning either (a) the date of the mortgage loan application if the mortgage is executed within four months of the date of such application; or (b) the date of the execution of the mortgage if the mortgage is executed more than four months after the date of such application.

19. The current annual family income of the undersigned mortgagor does not exceed the income limit established by federal or Alabama law for the area in which the residence is located as set forth in Section II of the MCC Procedural Manual, which was made available to the undersigned mortgagor by the undersigned originating lender.

PROPERTY ELIGIBILITY

20. The residence is located at the following address located within the State of Alabama:

21. The residence is currently owned by (seller):
_____
_____

22. The residence is permanently affixed and is considered "real property." The residence does not consist of more than one dwelling unit.

23. The residence is a/an (check one):
    - ☐ Existing and previously occupied single-family residence or single-unit condominium
    - ☐ Newly constructed single-family residence or single-unit condominium completed to the extent that occupancy is permitted under local law.

24. Mortgagor has been informed that the residence is (check one):
    - ☐ Located in a target area.
    - ☐ Located outside a target area.

25. All of the land being purchased with the residence reasonably maintains the basic livability of the residence and will not provide a source of income to the undersigned. If such land is capable of being subdivided, mortgagor has no intention of subdividing or otherwise selling any of the real property on which the residence is, or is to be located, or seek any variance from applicable zoning, minimum lot size or set-back requirements for such purpose, except in conjunction with a future sale of the residence.

26. Mortgagor hereby certifies that a true and correct copy of the purchase contract representing the entire transaction for the purchase of the residence has been provided to the lending institution to which the mortgagor applied for the mortgage loan.

    Neither the mortgagor nor anyone on mortgagor's behalf has made or will make any payment of the acquisition cost of the residence other than the amount indicated on the purchase/sales contract, to the seller of the residence, or to any other person on behalf of the seller, nor has the mortgagor canceled any debt of the seller or related person to the seller. The purchase price for the residence set forth in the purchase/sales contract is the total acquisition cost of the residence as a completed residential unit without any portion thereof remaining unfinished.

    Neither the mortgagor nor anyone on the mortgagor's behalf has entered into or will enter into any agreement with the seller of the residence, the developer, the contractor, or any other person pursuant to which any portion of the residence has been left unfinished or any fixtures or other architectural appointments have been omitted or removed from the residence in order to reduce the acquisition cost of the residence.

    If the residence is located on leased land, the annual payment for such land is $_____ and the capitalized value of such land is $_____ (using a discount rate of _____%).

    NOTE: The acquisition cost of a residence does not include:

    (a) Usual and reasonable settlement and financing costs. "Settlement costs" include titling and transfer costs, title insurance, survey fees and other similar costs, and "financing costs" include credit reference fees, legal fees, appraisal expenses, points which are paid by the mortgagors, or other costs of financing the residence. Such amounts must not exceed the usual and reasonable costs which otherwise would be paid;

    (b) The imputed value of services performed by the mortgagor or members of his family (which include only the mortgagor's brothers or sisters (whether by whole or half blood), spouse, ancestors and lineal descendants) in constructing or completing the residence; or

(c) The cost of land which has been owned by the mortgagor for at least two years before the date on which the construction of the structure comprising the residence begins.

27. The mortgagor has examined and certifies fully and truthfully that the total acquisition cost of the property being acquired from the seller does not exceed the Maximum Sales Price Limit as set forth in Section IV of the MCC Procedural Manual, which was made available to the undersigned mortgagor by the undersigned Originator.

_____ _____
Date Mortgagor

_____ _____
Date Mortgagor

STATE OF ALABAMA, COUNTY OF _____

I, the undersigned, a notary public in and for said county, in said state, hereby certify that _____ signed the foregoing Affidavit and known to me, acknowledged before me on this day that, being informed of the contents of the foregoing Affidavit, executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this _____ day of _____, 20_____.

(Seal)

_____
Notary Public

My commission expires: _____

I have explained the contents of this affidavit to each of the mortgagors whose signature appears above, and I have no reason to believe that those individuals made any misstatements in or omissions from the warranties and representations required to be made herein.

_____ _____
Date Signature of Originator

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

CHILD SUPPORT STATEMENT

AHFA Commitment #:

Mortgagor(s):

Property Address:

I hereby certify that I have not received child support in the last 24 months and, to my knowledge, none is forthcoming for the below-listed dependent(s):

_____ _____ ☐ I was never married to the mother/father of this child.
Child's Name (please print) Age

_____ _____ ☐ I was never married to the mother/father of this child.
Child's Name (please print) Age

_____ _____ ☐ I was never married to the mother/father of this child.
Child's Name (please print) Age

_____ _____ ☐ I was never married to the mother/father of this child.
Child's Name (please print) Age

_____ _____ ☐ I was never married to the mother/father of this child.
Child's Name (please print) Age

_____ _____
Mortgagor Co-Mortgagor/Non-Borrower

_____ _____
Date Date

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United States Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information give by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY
Come on home, Alabama.

CO-SIGNER/NON-OCCUPANT STATEMENT

AHFA Commitment #:
Mortgagor(s):

Property Address:

I am acting in a capacity only to provide additional security for this Mortgage Loan. I have no intention of occupying, becoming a permanent resident, or, at this time, using the above-referenced property for investment purposes.

Non-Occupant Co-Signer:

_____
Name

_____
Address

_____
City, State ZIP

_____
Phone

_____
SSN

_____
Relationship to Borrower

_____
Signature

_____
Date

Non-Occupant Co-Signer:

_____
Name

_____
Address

_____
City, State ZIP

_____
Phone

_____
SSN

_____
Relationship to Borrower

_____
Signature

_____
Date

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

EMPLOYMENT / INCOME STATEMENT

AHFA Commitment #:

Mortgagor(s):

Property Address:

I, _____, am presently unemployed and do not receive **income of any type***. I do not intend to pursue employment, full or part-time, or anticipate receiving any other type of income for the next twelve months.

_____

Unemployed Borrower/Non-Borrower

_____

Date

**Examples of Income: W-2, 1099, SSI, pension/annuity, child support, alimony, seasonal employment income, rental income, etc.*

_____	_____
Mortgagor	Co-Mortgagor
_____	_____
Date	Date

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United States Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information give by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

FULL-TIME STUDENT STATEMENT

AHFA Commitment #:

Mortgagor(s):

Property Address:

I, _____, am presently a full-time student and intend to be a full-time student for the next 12 months. My anticipated graduation date is_____. I do not work part-time or receive any type of income.

_____ _____

Student Relationship to Mortgagor/Non-Occupant

_____

Date

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

INCOME TAX STATEMENT

AHFA Commitment #:

Mortgagor(s):

Property Address:

I hereby certify that I was not required by law to file a federal income tax return for the following year(s)

_____.

_____	_____
Mortgagor	Co-Mortgagor/Non-Borrower
_____	_____
Date	Date

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

OCCUPANCY STATEMENT

AHFA Commitment #:

Mortgagor(s):

Property Address:

I will occupy the above referenced property as my principal and permanent place of residence and will not rent or lease the property.

_____	_____
Mortgager	Co-Mortgagor
_____	_____
Date	Date

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

COMMERCIAL PROPERTY STATEMENT

AHFA Commitment #:

Mortgagor(s):

I will not use the residence located at :

Property Address:

in a trade or business. No portion of the residence is specifically designed for any commercial use. There will be no deduction of any portion of the cost of the Residence as a home business expense on the Mortgagor's individual or joint federal income tax returns.

_____	_____
Mortgagor	Co-Mortgagor
_____	_____
Date	Date

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

NON-BORROWER STATEMENT

Non-Borrower Name: _____

I hereby give the lender originating an Alabama Housing Finance Authority loan product authorization to verify my income and assets and provide that verified information to Alabama Housing Finance Authority for the purposes of accessing the compliance qualification of the purchase of the property located at:

Property Address:

Mortgagor(s):

☐ I am not obligated on the note, but will be occupying the property; or

☐ I am currently separated from the purchaser and will not be occupying the property.

If not married to or separated from the borrower, are you currently married to or separated from some else? Yes ☐ No ☐

ALL QUESTIONS MUST BE ANSWERED BY NON-BORROWER:

1. Name, address and phone number of employer:_____

   _____

2. Length of time employed: _____

3. Self-employed? Yes ☐ No ☐

4. Do you currently own any real estate? Yes ☐ No ☐

   If yes, is it to be sold, rented, or occupied as your residence? _____

5. Do you currently receive any type of government assistance or retirement /pension funds?

   Yes ☐ No ☐ From: _____

6. Do you receive child support or alimony? Yes ☐ No ☐

   Ages of children: _____ Amount per month: _____

Mortgagor understands that it is a federal offense punishable by a maximum of $10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United States Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information give by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

_____ _____

Signature of Non-Borrower Date

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

REQUEST FOR CONDITIONAL COMMITMENT CHECKLIST—STEP 2

Originator:

MCC Commitment Number:

Mortgagor(s):

Property Address:

I. PROPERTY, ACQUISITION, & LOAN AMOUNT LIMITATIONS

Property County:

- ☐ Target
- ☐ Non-Target
- ☐ New
- ☐ Existing
- ☐ Agrees with Appraisal

- ☐ Single-Family Detached
- ☐ Single-Family Attached
- ☐ Manufactured Housing
- ☐ Condo/Pud
- ☐ De Minimis Pud

Sales Price:

1. Sales Price Limit: $_____

2. Sales Price: $ (does not exceed Sales Price Limit)

	YES	*NO*
II. THREE-YEAR HOMEOWNERSHIP LIMITATION:		
If *target* area, copy of most current federal income tax return is in file, signed and dated	☐	☐
This section is applicable on *non-target* area loans only. If *target*, skip to Section III.		
If *non-target* area, copies of the three (3) most current federal income tax returns are in file, signed and dated	☐	☐
Home Mortgage Interest Claimed on:		
20_____ Federal Income Tax Return?	☐	☐
20_____ Federal Income Tax Return?	☐	☐
20_____ Federal Income Tax Return?	☐	☐
Real Estate Property Taxes Claimed on:		
20_____ Federal Income Tax Return?	☐	☐
20_____ Federal Income Tax Return?	☐	☐
20_____ Federal Income Tax Return?	☐	☐
First-Time Homebuyer (Check Fannie Mae Form 1003)?	☐	☐

	YES	NO
III. ELIGIBLE MORTGAGOR AFFIDAVIT:		
Copy of the Eligible Mortgagor Affidavit pages 1 through 4 is present?	☐	☐
Mortgagor(s) names as shown on Eligible Mortgagor Affidavit agree with:		
• Reservation Form	☐	☐
• Handwritten Application	☐	☐
If applicable, mobile home ownership information is complete and a copy of the lease agreement and/or rental verification is attached.	☐	☐
The number of members of the mortgagor's family is complete and agrees with:		
• Income Calculation Worksheet	☐	☐
• Handwritten Application	☐	☐
Mortgagor(s) annual family income is completed	☐	☐
The maximum family income is complete and does not exceed the income listed on #14, page 2 of the Eligible Mortgagor Affidavit	☐	☐
Residence address is completed and agrees with:		
• Reservation Form	☐	☐
• Sales Contract	☐	☐
• Target I.D. Status Form (if applicable)	☐	☐
• Condominium/Pud Eligibility Form (if applicable)	☐	☐
Seller/Owner of residence is complete and agrees with the Sales Contract	☐	☐
Existing or new residence correctly checked and agrees with:		
• Appraisal (it is the lenders responsibility to check for accuracy)	☐	☐
Target or Non-Target correctly checked and agrees with:		
• Target I.D. Status Form (if applicable)	☐	☐
If located on leased land, the annual payment and capitalized value is complete and agrees with:		
• Appraisal (it is the lender's responsibility to check for accuracy)	☐	☐
• A copy of the leasehold agreement is in file and shows a lease term of 99 years or more	☐	☐
The acquisition cost of the residence is complete and agrees with:		
• Sales Contract	☐	☐
• Section I of this checklist	☐	☐
The total acquisition cost is completed and does not exceed the maximum sales price limit	☐	☐

	YES	*NO*
Affidavit is dated on or after the date of the handwritten application or the conversion letter	☐	☐
Affidavit is signed by all mortgagor(s)	☐	☐
Affidavit is signed by Officer of Originating Lender, dated on or after the date signed by mortgagor(s)	☐	☐

Note: Copies of receipts and/or canceled checks are required on self-builder cases to verify cost of acquisition!

USE THIS SECTION TO DESCRIBE ANY UNUSUAL DETAILS OF THIS CASE TO ASSIST US IN APPROVAL.

Processor's Name: _____ Date: _____

Lender's Address: _____ Phone Number: _____

_____ Fax Number: _____

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

SELLER AFFIDAVIT

THIS AFFIDAVIT MUST BE COMPLETED AND SIGNED IN ORDER THAT THE PURCHASE OF YOUR RESIDENCE MAY BE FINANCED IN CONJUNCTION WITH A MORTGAGE CREDIT CERTIFICATE ISSUED BY ALABAMA HOUSING FINANCE AUTHORITY. IT IS A FEDERAL OFFENSE PUNISHABLE BY A MAXIMUM OF A $5,000 FINE, TWO YEARS' IMPRISONMENT, OR BOTH, TO KNOWINGLY MAKE A FALSE STATEMENT IN THIS AFFIDAVIT (TITLE 18 UNITED STATES CODE, SECTION 1014). READ IT CAREFULLY TO BE SURE THAT THE INFORMATION IS TRUE AND COMPLETE BEFORE SIGNING THIS FORM. COMPLETE ALL QUESTIONS. IF ANY QUESTION IS NOT APPLICABLE, ANSWER "N/A." THE INFORMATION PROVIDED IN THIS AFFIDAVIT IS SUBJECT TO VERIFICATION BY ALABAMA HOUSING FINANCE AUTHORITY.

The undersigned, as an essential part of an application for a mortgage loan (the "Mortgage Loan") pursuant to the Single-Family Mortgage Credit Certificate Program being submitted by

_____ [Lender]

to finance the purchase from the undersigned of a single-family residence (The "Residence"), does hereby depose and say:

A. Principal Residence and Buyer

1. The Residence is located at the following address:

2. I have entered into a sales contract with the following persons (collectively, the "Mortgagor") relating to the sale or construction by me of the Residence (the "Sales Contract"):

   _____

   _____

B. Eligibility and Cost of the Residence

1. If any portion of the Residence is specifically designed for any commercial use, any commercial fixtures currently located in the Residence will be removed upon consummation of the sale of the Residence.

2. Neither I nor any person acting on my behalf (directly or indirectly) has entered into any contract other than the Sales Contract, arrangement, or understanding with the Mortgagor (directly or indirectly) relating to (a) the purchase of the Residence and any related personal property, fixtures, or other architectural appointments, (b) the furnishing of any service, e.g., painting, plastering, landscaping, in connection with the Residence, (c) the completion of construction of the Residence or (d) the sale of any other real or personal property in connection with the Residence.

3. The monetary amounts listed in the Sales Contract are included in the acquisition cost and such values are pursuant to the agreement or understanding to which I, or any person acting on my behalf (directly or indirectly), as a party, are true and correct.

   Neither I, nor anyone acting on my behalf (directly or indirectly), has been requested by the Mortgagor or any person who, to my knowledge, is acting on behalf of the Mortgagor to (a) acquire any land now owned by me at the time the Mortgagor first indicated an interest in purchasing the Residence for the purpose of selling it to the Mortgagor as part of the Purchase of the Residence or (b) increase the amount of land originally offered for sale by me in connection with the Residence. All of the land being sold with the Residence reasonably maintains the basic livability of the Residence, and no subdivision map, pursuant to which such land will be further subdivided, has been recorded.

   The total amount to be paid to me or for my account or to anyone acting on my behalf (directly or indirectly) by the Mortgagor or anyone related to the Mortgagor or acting on the Mortgagor's behalf (directly or indirectly) in connection with the Residence, including money, goods or services is $_____.

4. If the Residence is located on leased land, the annual payment for such land is $_____, and the capitalized value of such land is $_____.

5. The Residence does not (1) contain any unfinished areas that are (a) suitable for completion and (b) normally finished in homes similar to the Residence sold or constructed by me (other than on an optional basis) or (2) fail to contain any areas or outbuildings normally provided in connection with homes similar to the Residence and sold or constructed by me (other than on an optional basis), in either case except for the following:

   _____

   _____

6. The Residence is a single-family residence and is (check one):
   ☐ existing or previously occupied single-family Residence or single-unit condominium
   ☐ newly constructed single-family Residence or single-unit condominium less than one year old and never occupied

7. I am obligated to surrender possession of the Residence to the Mortgagor within 60 days after date of closing.

C. Refinancing

No part of the proceeds of the Mortgage Loan will be used directly or indirectly to repay any existing loan made by me or by any person acting on my behalf to the Buyer or any person acting on his behalf in connection with the Residence, except as follows:

_____

_____

Date: _____ Seller: _____

Seller: _____

State of Alabama, County of _____

I, the undersigned, a notary public in and for said county, in said state, hereby certify that _____ signed the foregoing Affidavit and known to me, acknowledged before me on this day that, being informed of the contents of the foregoing Affidavit, executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this _____ day of _____, 20___.

(Seal)

_____
Notary Public

My Commission expires: _____

I have explained the contents of this Affidavit to each of the Sellers whose signature appears above, and I have no reason to believe that those individuals made any misstatements in or omissions from the warranties and representations required to be made herein.

_____ _____
Date Signature of Originator's Officer

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

MCC CLOSING REAFFIRMATION

The mortgagor(s) has reviewed all of the representations and warranties heretofore made with respect to the mortgage loan being obtained on this date and does hereby reaffirm that all of the foregoing representations and warranties previously made are true and correct.

_____ _____

Date Mortgagor

_____

Co-Mortgagor

State of Alabama, County of _____

I, the undersigned, a notary public in and for said county, in said state, hereby certify that _____ _____ signed the foregoing affidavit and known to me, acknowledged before me on this day that, being informed of the contents of the foregoing affidavit, executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this _____ day of _____, 20___.

(Seal) Notary Public _____

My commission expires: _____

I, as attorney or closing agent for the mortgagors named herein, have explained the contents of this reaffirmation to each of the mortgagors.

_____ _____

Date Signature of Attorney or Closing Agent

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

MORTGAGEE'S CERTIFICATION

The undersigned, the lending institution which made the new residential mortgage loan (the "Mortgage Loan") to

_____ (the "Mortgagor"), which is to be included in the Mortgage Credit Certificate program offered by Alabama Housing Finance Authority (the "Authority"), does hereby certify to the Authority as follows:

1. It has reviewed the application submitted by the Mortgagor in connection with the Mortgage Loan, together with all supporting documentation, including the report of the appraiser relating to the mortgaged premises (the "Residence"), the Eligible Mortgagor Affidavit and the Seller Affidavit. Nothing has come to our attention which would cause us to disbelieve or doubt the truth or correctness of these documents or any portions thereof.

2. Based upon its review of the documents described in paragraph 1 hereof and on all other facts of which it has knowledge, the undersigned has no reason to believe that any proceeds of the Mortgage Loan are being used to discharge, in whole or in part or directly or indirectly, any loan owed by the Mortgagor or any member of the Mortgagor's family, other than a construction, interim, bridge loan with respect to the purchase or construction of such Residence, as set forth below:

   ☐ Amount of Loan Proceeds

   Type:
   Purpose:
   Date of Execution:
   Term of Existing Financing Being Acquired or Replaced:

   ☐ Not Applicable

3. Based upon its review of the documents described in paragraph 1 hereof and on all other facts of which it has knowledge, it is the opinion of the undersigned that the allocation of the closing costs between the Mortgagor and the Seller of the Residence relating to the purchase and sale of the Residence and the origination of the Mortgage Loan are consistent with standard real estate practices in the community in which the Residence is located.

4. All of the land included with the Residence reasonably maintains the basic livability of the Residence, and no subdivision map pursuant to which such land will be further subdivided has been recorded.

5. The acquisition cost of the Residence is within the maximum sales price of the Program as of the date hereof.

6. The undersigned has no reason to believe that the Residence as sold will be anything other that substantially complete or will not contain all appropriate fixtures and other architectural appointments.

7. The undersigned understands that unless the Residence is located in an area designated by the Authority as a Target Area, the Mortgage Loan may not be made to any Mortgagor who has had a present ownership interest in a principal residence, including a mobile or other manufactured home, at any time during the three-year period immediately prior to the closing of the Mortgage Loan. The undersigned has examined the federal income tax returns for the Mortgagor for this period and saw nothing to suggest that the Mortgagor had such an interest or, if such tax returns were unavailable or inconclusive, has satisfied itself that the Mortgagor had not had such an interest.

8. The requirements with respect to the Mortgage Credit Certificate program have been explained to the Mortgagor.

9. The Mortgage Loan conforms to all the terms and conditions contained in the Mortgage Credit Certificate Procedural Manual and Originator Participation Agreement.

10. No person who is related to the borrower, as defined in Section 1444(a)(3) of the Internal Revenue Code and 25 CFR Section 1.103-10(e)(1), has an interest or is expected to have an interest as a creditor in the principal amount of the Mortgage Loan.

11. The undersigned has advised the Mortgagor to consult his tax consultant to assess the impact of the MCC on his personal tax liability.

12. The Mortgagor will not receive any financing for the residence from the proceeds of a tax exempt qualified mortgage revenue bond loan.

13. The undersigned has not directly or indirectly attempted to prohibit the Mortgagor from seeking financing from any particular lender, not attempted to require the Mortgagor to seek financing from a specific lender.

As to the representations contained in paragraphs 4 and 6 above, the undersigned has relied on information provided by an appraiser, who was provided with a copy of such representations before inspecting the Residence.

Originator: _____ By:_____

Date:_____ Title:_____

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

REQUEST FOR FUNDING CHECKLIST

AHFA Commitment #: _____

Lending Institution: _____

Shipping Contact Person: _____

Phone Number: _____

Email Address: _____

Reminders:

**** PROVIDE THE COMPLETE PROCESSING, ORIGINATION AND CLOSING PACKAGE ****

1003, Notes and Deeds of Trust must include Loan Originator's NMLS ID Number.

Package to be uploaded within 10 days of closing to AHFA's Online Reservation System

DOCUMENTS FOR LOAN PURCHASE REVIEW:

- ☐ Request for Funding Checklist
- ☐ Payment History (if applicable)
- ☐ One copy of the Note and Addendum to Note endorsed to ServiSolutions, a department of Alabama Housing Finance Authority, without recourse (Allonges are not acceptable)
- ☐ Copy of Deed of Trust/Mortgage with all applicable riders
- ☐ One copy of Down Payment Assistance Note endorsed to AHFA without recourse (if applicable)
- ☐ Copy of Deed of Trust/Mortgage for Down Payment Assistance loan
- ☐ Copy of Power of Attorney (if applicable)
- ☐ Copy of MIN Summary from MERS
- ☐ Copy of final, stamped Closing Disclosure with addendums
- ☐ Copy of final, stamped Closing Disclosure with addendums for Down Payment Assistance loan
- ☐ Title Binder/Title Policy (if applicable)
- ☐ Copy of Survey or signed Survey Waiver with Letter of Intent to obtain a short-form title policy
- ☐ Appraisal with color photos—include all exhibits. Must be completely legible with and include a copy of the appraiser's license
- ☐ Verification loan ran through Fannie Mae Early Check (conventional loans only) -- *effective 01/01/17*
- ☐ Copy of Fannie Mae Appraisal Findings Detail/SSR Report with Collateral Underwriter Risk Score showing (conventional loans only)
- ☐ Copy of Collateral Underwriting Analysis for appraised property
- ☐ Condo Project Approval, Fannie Mae Form 1076 or 1077 (condo projects only)
- ☐ Final Inspection and evidence of clearance of all appraisal conditions (if required by appraisal)
- ☐ Conditional Commitment of Appraisal value (HUD Form 92800-5B copy), signed by underwriter
- ☐ All required new construction documents, if applicable
- ☐ Termite Letter (if applicable)
- ☐ PMI Certificate (conventional loans only)
- ☐ PMI Disclosure (conventional loans only)
- ☐ Hazard Insurance Policy w/ policy number and paid receipt for 1st year's premium (Mortgagee: ServiSolutions, its Successors and/or Assigns ATIMA)
- ☐ Flood Insurance or Wind Policy (if applicable)
- ☐ Life of Loan Flood Certification

- ☐ Property Tax Certification/Assessment
- ☐ Copy of final Good Faith Estimates and TIL for 1st and 2nd mortgages
- ☐ Quality Control Authorization and Certification; signed by borrowers at closing
- ☐ Copy of Notice of Sale, Assignment or Transfer of Servicing Rights (RESPA Good-bye Letter, lender copy)
- ☐ Payment Breakdown/ServiSolutions Temporary Coupons
- ☐ Escrow Closing Instructions
- ☐ Initial Escrow Account Statement
- ☐ 4506-Ts initial and final executed by all Borrowers
- ☐ Transmittal Summary (1008) or HUD 92900-LT, signed by underwriter
- ☐ Initial and Final Signed Loan Application 1003, for 1st and 2nd mortgage (if applicable), executed by all parties
- ☐ Automated Underwriter Findings indicating "approved/eligible"
- ☐ Letter of explanation signed by loan officer, for AU submissions in excess of 15 or RED FLAGGED by AU stating excessive submissions
- ☐ Credit Report used for AU results and copies of credit explanation letters (as requested by AU findings)
- ☐ Copy of all documents for the purpose of verifying credit related to borrowers
- ☐ Final authorization to verify SSA signed by the borrower, if applicable
- ☐ All asset documentation as required by DU (including VOD, cancelled earnest money check, funds source, 2 months bank statements etc.)
- ☐ Gift letter with evidence of transfer and receipt of funds - entire paper trail (if applicable)
- ☐ All income documentation as required by DU (VOE, paystubs, W-2's, tax returns, etc.)
- ☐ Loan Estimate for 1st mortgage
- ☐ Loan Estimate for 2nd mortgage
- ☐ Copy of Leasehold (if applicable)
- ☐ Copy of Uniform Community Land Trust Ground Lease Rider (if applicable)
- ☐ Copy of Memorandum of Lease (Opal only)
- ☐ Purchase Agreement/Sales Contract and all addendums
- ☐ W-9 for all borrowers
- ☐ LDP/GSA findings for all parties involved for all loan programs
- ☐ Copy of all initial and final regulatory disclosure documentation, signed by all parties, including but not limited to (FHA,VA, USDA, Fannie Mae, RESPA, TIL, FCRA, ECOA, TRID etc.)
- ☐ Patriot Act disclosure along with the borrower's identification (photo id, green card and visa)
- ☐ Appraiser Certification printed out from the website ASC.Gov
- ☐ Tax Transcripts and W-2's for all Borrowers, as required by Automated Underwriting Findings
- ☐ Copy of Homebuyer Education Certificate
- ☐ Early Default Notification
- ☐ Written List of Settlement Service Providers

FHA ITEMS:

- ☐ Firm Commitment
- ☐ Important Notice to Homebuyers HUD #92900B
- ☐ Important Notice to Homeowner—Assumption of HUD/FHA Insured Mortgages
- ☐ FHA Case Number Assignment
- ☐ MIP Statement or Transmittal Form
- ☐ Copy of FHA Borrower Award letter
- ☐ Copy of FHA Lender Commitment letter
- ☐ DPA Obligation letter for 2nd mortgage, if applicable
- ☐ FHA Connection Insurance Application
- ☐ MIP statement or MIP check and transmittal Form (Evidence of UFMIP has been paid timely)

USDA ITEMS:

- ☐ Income Eligibility Calculation Worksheet
- ☐ Form RD 3555-16 - Agreement for Participation in Single Housing Guaranteed/Insured Loan Programs
- ☐ Form RD 3555-11 - Guaranteed Rural Housing Lender Record Change
- ☐ Form RD 3555-21 - Request for Single Family Housing Loan Guarantee
- ☐ Form RD 3555-18 - Conditional Commitment

VA ITEMS:

- ☐ Certificate of Eligibility
- ☐ VA - 1880 - Request for Determination of Eligibility (must be completed) and a legible copy of the DD214
- ☐ VA 26-1805 - Appraisal Certificate of Reasonable Value
- ☐ VA 26-8937 - Verification of VA Benefits (must be completed and signed)
- ☐ VA Funding Fee Transmittal & copy of check
- ☐ VA 26-8998 - Acknowledgement Receipt of VA Funding Fee
- ☐ VA 26-6393 - Loan Analysis
- ☐ VA 26-0286 - VA Loan Summary
- ☐ VA 26-1820 - Report and Certification
- ☐ Evidence of compliance with MCRV or NOV (final inspection, termite certification and/or warranty documentation)
- ☐ VA 26-0592 - Counseling Checklist for Military Homebuyers
- ☐ VA 26-1802a - Initial and Final HUD/VA Addendum to URLA, executed by all parties
- ☐ VA 26-1866 - Lender Certificate of Commitment (signed by VA)

BOND & MCC ITEMS:

Use the above checklist for AHFA MRB and add the following:

- ☐ Recapture Settlement Disclosure
- ☐ Mortgagee's Certification
- ☐ Seller's Affidavit
- ☐ Closing Reaffirmation
- ☐ Buydown Agreement (If applicable)

Form **8396**

Department of the Treasury
Internal Revenue Service (99)

Mortgage Interest Credit

(For Holders of Qualified Mortgage Credit Certificates Issued by State or Local Governmental Units or Agencies)

▶ Attach to Form 1040 or 1040NR. ▶ See instructions on back.

OMB No. 1545-0074

2010

Attachment Sequence No. **138**

Name(s) shown on your tax return	**Your social security number**

Enter the address of your main home to which the qualified mortgage certificate relates if it is different from the address shown on your tax return.

Name of Issuer of Mortgage Credit Certificate	Mortgage Credit Certificate Number	Issue Date

Before you begin Part I, figure the amounts of any of the following credits you are claiming: Credit for the elderly or the disabled, alternative motor vehicle credit, qualified plug-in electric vehicle credit, and qualified plug-in electric drive motor vehicle credit.

Part I Current Year Mortgage Interest Credit

1	Interest paid on the certified indebtedness amount. If someone else (other than your spouse if filing jointly) also held an interest in the home, enter only your share of the interest paid	1		
2	Enter the certificate credit rate shown on your **mortgage credit certificate. Do not** enter the interest rate on your home mortgage	2		%
3	If line 2 is 20% or less, multiply line 1 by line 2. If line 2 is more than 20%, or you refinanced your mortgage and received a reissued certificate, see the instructions for the amount to enter. **You must reduce your deduction for home mortgage interest on Schedule A (Form 1040) by the amount on line 3.**	3		
4	Enter any 2007 credit carryforward from line 18 of your 2009 Form 8396	4		
5	Enter any 2008 credit carryforward from line 16 of your 2009 Form 8396	5		
6	Enter any 2009 credit carryforward from line 19 of your 2009 Form 8396	6		
7	Add lines 3 through 6	7		
8	Limitation based on tax liability. Enter the amount from the Credit Limit Worksheet (see instructions)	8		
9	**Current year mortgage interest credit.** Enter the **smaller** of line 7 or line 8. Also include this amount in the total on Form 1040, line 53, or Form 1040NR, line 50. Check box **c** on that line and enter "8396" in the space next to that box	9		

Part II Mortgage Interest Credit Carryforward to 2011. (Complete **only** if line 9 is less than line 7.)

10	Add lines 3 and 4	10		
11	Enter the amount from line 7	11		
12	Enter the **larger** of line 9 or line 10	12		
13	Subtract line 12 from line 11	13		
14	**2009 credit carryforward to 2011.** Enter the **smaller** of line 6 or line 13	14		
15	Subtract line 14 from line 13	15		
16	**2008 credit carryforward to 2011.** Enter the **smaller** of line 5 or line 15	16		
17	**2010 credit carryforward to 2011.** Subtract line 9 from line 3. If zero or less, enter -0-	17		

General Instructions

Purpose of Form

Use Form 8396 to figure the mortgage interest credit for 2010 and any credit carryforward to 2011.

Who Can Claim the Credit

You can claim the credit only if you were issued a qualified Mortgage Credit Certificate (MCC) by a state or local governmental unit or agency under a qualified mortgage credit certificate program.

CAUTION *Certificates issued by the Federal Housing Administration, Department of Veterans Affairs, and Farmers Home Administration, and Homestead Staff Exemption Certificates do not qualify for the credit.*

The home to which the certificate relates must be your main home and also must be located in the jurisdiction of the governmental unit that issued the certificate.

If the interest on the mortgage was paid to a related person, you cannot claim the credit.

Refinanced Mortgage

You can refinance your mortgage without losing this credit if your existing MCC is reissued and the reissued certificate meets all of the following conditions.

- It must be issued to the holder(s) of the existing certificate for the same property.
- It must entirely replace the existing certificate. The holder cannot retain any portion of the outstanding balance of the existing certificate.
- The certified indebtedness on the reissued certificate cannot exceed the outstanding balance shown on the existing certificate.
- The credit rate of the reissued certificate cannot exceed the credit rate of the existing certificate.
- The reissued certificate cannot result in a larger amount on line 3 than would otherwise have been allowable under the existing certificate for any tax year.

For each tax year, you must determine the amount of credit that you would have been allowed using your original MCC. To do this, multiply the interest that was scheduled to be paid on your original mortgage by the certificate rate on your original MCC. The result may limit your line 3 credit allowed when you have a reissued MCC, even if your new loan has a lower interest rate.

If the certificate credit rates are different in the year you refinanced, attach a statement showing separate calculations for lines 1, 2, and 3 for the applicable parts of the year when the original MCC and the reissued MCC were in effect. Combine the amounts from both calculations for line 3. Enter that total on line 3 of the form and enter "see attached" on the dotted line next to line 2.

For more details, see Regulations section 1.25-3(p).

Recapture of Credit

If you buy a home using an MCC and sell it within 9 years, you may have to recapture (repay) some of the credit. See Pub. 523, Selling Your Home, and Form 8828, Recapture of Federal Mortgage Subsidy.

Additional Information

See Pub. 530, Tax Information for Homeowners, for more details.

Specific Instructions

Part I—Current Year Mortgage Interest Credit

Line 1

Enter the interest you paid during the year on the loan amount (certified indebtedness amount) shown on your MCC. In most cases, this will be the amount in box 1 on Form 1098, Mortgage Interest Statement, or on a similar statement you received from your mortgage holder. If the loan amount on your MCC is less than your total mortgage loan, you must allocate the interest to determine the part that relates to the loan covered by the MCC. See Pub. 530 for an example of how to allocate the interest.

Line 2

The certificate credit rate cannot be less than 10% or more than 50%.

Line 3

If you refinanced, see *Refinanced Mortgage* on this page.

If the certificate credit rate shown on line 2 is more than 20%, multiply line 1 by line 2, but do not enter more than $2,000 on line 3. If you and someone else (other than your spouse if filing jointly) held an interest in the home, the $2,000 limit must be allocated to each owner in proportion to the interest held. See *Dividing the Credit* in Pub. 530 for an example of how to make the allocation.

Reduction of home mortgage interest deduction on Schedule A (Form 1040). If you itemize your deductions on Schedule A, you must reduce the amount of home mortgage interest you would otherwise deduct on Schedule A by the amount on Form 8396, line 3, and report the reduced amount on Schedule A. You must do this even if part of the amount on line 3 is carried forward to 2011.

Part II—Mortgage Interest Credit Carryforward to 2011

If the amount on line 9 is less than the amount on line 7, you may have an unused credit to carry forward to the next 3 tax years or until used, whichever comes first. The current year credit is used first and then the prior year credits, beginning with the earliest prior year.

If you have any unused credit to carry forward to 2011, keep a copy of this form to figure your credit for 2011.

CAUTION *If you are subject to the $2,000 credit limit because your certificate credit rate is more than 20%, no amount over the $2,000 limit (or your prorated share of the $2,000 if you must allocate the credit) may be carried forward for use in a later year.*

Line 8—Credit Limit Worksheet

Keep for Your Records

1. Enter the amount from Form 1040, line 46, or Form 1040NR, line 44 **1.** _____
2. **Form 1040 filers:** Enter the amounts from Form 1040, line 47 through 50; line 12 of the line 11 Worksheet in Pub. 972*; Form 5695, line 11; Form 8834, line 22; Form 8910, line 21; Form 8936, line 14; and Schedule R (Form 1040 or 1040A), line 22.
   Form 1040NR filers: Enter the amounts from Form 1040NR, lines 45 through 47; line 12 of the line 11 Worksheet in Pub. 972*; Form 5695, line 11; Form 8834, line 22; Form 8910, line 21; and Form 8936, line 14. . . . . **2.** _____
3. Subtract line 2 from line 1. Also enter this amount on Form 8396, line 8. If zero or less, enter -0- here and on Form 8396, lines 8 and 9, and go to Part II of Form 8396. . . . . **3.** _____

*If you are not claiming the child tax credit, you do not need Pub. 972.

Form **8329**

(Rev. January 2009)

Department of the Treasury
Internal Revenue Service

Lender's Information Return for Mortgage Credit Certificates (MCCs)

For calendar year ending _____

OMB No. 1545-0922

Part I Reporting Authority

Lender's name	Employer identification number
Lender's address (number, street, or P.O. box no., if mail is not delivered to street address)	Room/suite
City, town, or post office, state, and ZIP code	

Part II Issuing Authority

Issuer's name		Employer identification number
Issuer's address (number, street, or P.O. box no., if mail is not delivered to street address)	Room/suite	Election date
City, town, or post office, state, and ZIP code		Nonissued bond amount

Part III Recipients of Mortgage Credit Certificates (If more than five recipients, see instructions.)

	(a) Name(s)	(b) Address Do not use a P.O. box number.	(c) Social Security Number(s)
1			
2			
3			
4			
5			

Part IV Computation of the Total Amount of Mortgage Credit Certificates (Note: *Match the information entered on each line with information entered on each corresponding line in Part III.*)

	(d) Date of Issue of MCC	(e) Certified Indebtedness Amount of Each MCC Issued	(f) Certificate Credit Rate	(g) Amount of MCC Issued (column (e) × column (f))
1				
2				
3				
4				
5				

6 Total amount of MCCs issued. (See instructions.) . . . . . ▶

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than representative of lender) is based on all information of which preparer has any knowledge.

▶ Signature of authorized representative of lender | Date | ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶		EIN ▶	
		ZIP code ▶	

For Privacy Act and Paperwork Reduction Act Notice, see back of form.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Any person who makes a loan that is a "certified indebtedness amount" on any mortgage credit certificate (MCC) must maintain books and records of such activity and file Form 8329. (See Temporary Regulations section 1.25-8T(a).)

A separate Form 8329 must be filed for each issue of MCCs for which the lender made mortgage loans during the calendar year. Each issue of MCCs corresponds to the MCC program relating to the nonissued bond amount that was the subject of the election made on the election date. Both the nonissued bond amount and the election date are to be provided in Part II of this Form 8329.

Purpose of Form

Form 8329 is used by lenders of certified indebtedness amounts to provide the IRS with information regarding the issuance of MCCs under section 25.

The MCC must be issued under a program that meets the residence requirements of section 143(c). Under these requirements, the residence must: **(1)** be a single-family residence that can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided, and **(2)** be located in the jurisdiction of the authority issuing the certificate. See section 25(c)(2) for additional requirements.

Who Must File

Any person who makes a loan that is a certified indebtedness amount on any MCC must file Form 8329.

When To File

File Form 8329 by January 31 following the close of the calendar year in which the lender made certified indebtedness loans.

The IRS may grant an extension of time to file Form 8329 if there is reasonable cause for not filing on time.

Where To File

File Form 8329 with the Department of the Treasury, Internal Revenue Service Center, Ogden, UT 84201.

Penalty

Any person required to file Form 8329 may be subject to a $200 penalty for each form that is not filed by the due date. The maximum penalty is $2,000.

Definitions

Mortgage Credit Certificate. A mortgage credit certificate is a certificate issued under a "qualified mortgage credit certificate program" by the state or political subdivision having the authority to issue qualified mortgage bonds to provide financing for the acquisition, qualified rehabilitation, or qualified home improvement of a taxpayer's principal residence. For more information, see section 25(c)(1).

Qualified mortgage credit certificate program. A qualified mortgage credit certificate program is a program established for any calendar year by a state or political subdivision that is authorized to issue qualified mortgage bonds under section 143 (and for which there has been an appropriate allocation of state volume cap for that calendar year under section 146) but elected instead to issue mortgage credit certificates. (See section 25(c)(2) for additional requirements.)

Aggregate amount. The aggregate amount (the certified indebtedness times the certificate credit rate for each MCC, totaled for all mortgage credit certificates issued under a single MCC program), may not exceed 25% of the nonissued bond amount for which the election not to issue bonds was made. See section 25(d)(2).

Certified indebtedness amount. The certified indebtedness amount is the amount of indebtedness specified in the MCC and incurred by a taxpayer:

a. To acquire his or her principal residence,

b. To make qualified home improvements on that residence, or

c. To make a qualified rehabilitation of that residence.

Certificate credit rate. The certificate credit rate is the rate specified by the issuer on the MCC. However, the rate cannot be less than 10% nor more than 50%. For other limitations, see Temporary Regulations section 1.25-2T(b).

Specific Instructions

Part I. Reporting Authority

Provide information about the mortgage lender.

Part II. Issuing Authority

Provide information about the mortgage credit certificate issuer.

Election date. Enter the date the issuing authority elected to issue MCCs in lieu of qualified mortgage bonds for the MCC program that included the amounts listed in Part IV, column (e).

Nonissued bond amount. Enter the total amount of qualified mortgage bonds (as defined in section 143(a)(1) and the related regulations) that the issuer has authority to issue but elected instead on the election date to convert into authority to issue MCCs.

Part III. Recipients of Mortgage Credit Certificates

Column (a). Enter the name(s) of the MCC holder(s) to whom the lender made certified indebtedness loan(s) during the calendar year. If an MCC lists more than one holder, enter all of the holders on one line.

Column (b). Enter the number and street, city, state, and ZIP code of the property for which the MCC was issued. Do not use a P.O. box number.

Column (c). Enter the social security number(s) of the holder(s) listed on the MCC.

Part IV. Computation of the Total Amount of Mortgage Credit Certificates

Column (d). Enter the date the issuing authority issued the certificate for the amount included in column (e). Do not give the date the loan was made nor the date when any preliminary approval to issue an MCC was given by the issuer.

If the loan is for a reissued MCC as permitted by the regulations, the date of the reissued certificate should be given, preceded by the word "Reissued." For example, "Reissued, July 25, 2008."

Column (f). Enter the certificate credit rate for each MCC.

Column (g). For each certificate amount listed in column (e), multiply by the certificate credit rate associated with that certificate shown in column (f).

Line 6. This is the aggregate amount of MCCs issued (Part IV, column (g)) in connection with the lender's loans relating to the issuer's MCC program for the calendar year. The total should reflect all of the MCCs described on the lender's Form 8329, including any attachments, for the MCC program for the calendar year.

Additional Entries

If the lender must report on more than 5 mortgage credit certificates, it should report these additional certificates on an attachment formatted like Form 8329.

Instead of formatting its own attachment, the lender may use one Form 8329 as a transmittal document and use additional Forms 8329 as attachments. In such a case, draw an "X" across the 5 lines of Parts III and IV of the Form 8329 used as a transmitting document. Complete the remainder of this Form 8329, making certain that all mortgage credit certificate amounts reported in all the attachments in Part IV, column (g) are totaled for line 6 of the transmittal document. Sign only the transmittal Form 8329 and indicate in the top margin the number of Forms 8329 attached to this Form 8329.

On the attached Forms 8329, show the lender's name and employer identification number in Part I and enter mortgage credit certificate information on the 5 lines of Parts III and IV.

Signature

Form 8329 must be signed by an authorized representative of the lender.

Leave the paid preparer's space blank if the return was prepared by a regular employee of the lender. Otherwise, anyone who is paid to prepare the return must sign it in the *Paid Preparer's Use Only* area.

The paid preparer must complete the required preparer information and:

- Sign the return, by hand, in the space provided for the preparer's signature (signature stamps and labels are not acceptable).
- Give a copy of the return to the lender.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws. Section 6109 requires return preparers to provide their identifying numbers on the return.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	3 hr., 35 min.
Learning about the law or the form	1 hr., 5 min.
Preparing and sending the form to the IRS	1 hr., 12 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the form to this address. Instead, see *Where To File* on this page.

Form W-4 (2011)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2011 expires February 16, 2012. See Pub. 505, Tax Withholding and Estimated Tax.

Note. If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds $950 and includes more than $300 of unearned income (for example, interest and dividends).

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the amount you are having withheld compares to your projected total tax for 2011. See Pub. 919, especially if your earnings exceed $130,000 (Single) or $180,000 (Married).

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for **yourself** if no one else can claim you as a dependent	A _____
B	Enter "1" if: • You are single and have only one job; or • You are married, have only one job, and your spouse does not work; or • Your wages from a second job or your spouse's wages (or the total of both) are $1,500 or less.	B _____
C	Enter "1" for your **spouse.** But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C _____
D	Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return	D _____
E	Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above)	E _____
F	Enter "1" if you have at least $1,900 of **child or dependent care expenses** for which you plan to claim a credit (**Note.** Do **not** include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)	F _____
G	**Child Tax Credit** (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than $61,000 ($90,000 if married), enter "2" for each eligible child; then **less** "1" if you have three or more eligible children. • If your total income will be between $61,000 and $84,000 ($90,000 and $119,000 if married), enter "1" for each eligible child plus "1" **additional** if you have six or more eligible children	G _____
H	Add lines A through G and enter total here. (**Note.** This may be different from the number of exemptions you claim on your tax return.) ►	H _____

For accuracy, **complete all worksheets that apply.**
- If you plan to **itemize** or **claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you have **more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed $40,000 ($10,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

► **Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.**

OMB No. 1545-0074
2011

1 Type or print your first name and middle initial.	Last name	2 **Your social security number**
Home address (number and street or rural route)	3 ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate. **Note.** If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.	
City or town, state, and ZIP code	4 **If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card.** ► ☐	

5	Total number of allowances you are claiming (from line **H** above **or** from the applicable worksheet on page 2)	5
6	Additional amount, if any, you want withheld from each paycheck	6 $
7	I claim exemption from withholding for 2011, and I certify that I meet **both** of the following conditions for exemption. • Last year I had a right to a refund of **all** federal income tax withheld because I had **no** tax liability **and** • This year I expect a refund of **all** federal income tax withheld because I expect to have **no** tax liability. If you meet both conditions, write "Exempt" here ►	7

Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature
(This form is not valid unless you sign it.) ► **Date** ►

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)	9 Office code (optional)	10 Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 10220Q Form **W-4** (2011)

Deductions and Adjustments Worksheet

Note. Use this worksheet *only* if you plan to itemize deductions or claim certain credits or adjustments to income.

1	Enter an estimate of your 2011 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions	1	$
2	Enter: { $11,600 if married filing jointly or qualifying widow(er) / $8,500 if head of household / $5,800 if single or married filing separately }	2	$
3	**Subtract** line 2 from line 1. If zero or less, enter "-0-"	3	$
4	Enter an estimate of your 2011 adjustments to income and any additional standard deduction (see Pub. 919)	4	$
5	**Add** lines 3 and 4 and enter the total. (Include any amount for credits from the *Converting Credits to Withholding Allowances for 2011 Form W-4 Worksheet* in Pub. 919.)	5	$
6	Enter an estimate of your 2011 nonwage income (such as dividends or interest)	6	$
7	**Subtract** line 6 from line 5. If zero or less, enter "-0-"	7	$
8	**Divide** the amount on line 7 by $3,700 and enter the result here. Drop any fraction	8	
9	Enter the number from the **Personal Allowances Worksheet,** line H, page 1	9	
10	**Add** lines 8 and 9 and enter the total here. If you plan to use the **Two-Earners/Multiple Jobs Worksheet,** also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, page 1	10	

Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)

Note. Use this worksheet *only* if the instructions under line H on page 1 direct you here.

1	Enter the number from line H, page 1 (or from line 10 above if you used the **Deductions and Adjustments Worksheet**)	1	
2	Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here. **However,** if you are married filing jointly and wages from the highest paying job are $65,000 or less, do not enter more than "3"	2	
3	If line 1 is **more than or equal to** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "-0-") and on Form W-4, line 5, page 1. **Do not** use the rest of this worksheet	3	

Note. If line 1 is **less than** line 2, enter "-0-" on Form W-4, line 5, page 1. Complete lines 4 through 9 below to figure the additional withholding amount necessary to avoid a year-end tax bill.

4	Enter the number from line 2 of this worksheet	4	
5	Enter the number from line 1 of this worksheet	5	
6	**Subtract** line 5 from line 4	6	
7	Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here	7	$
8	**Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding needed	8	$
9	Divide line 8 by the number of pay periods remaining in 2011. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2010. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck	9	$

Table 1

Married Filing Jointly		All Others	
If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above
$0 - $5,000 -	0	$0 - $8,000 -	0
5,001 - 12,000 -	1	8,001 - 15,000 -	1
12,001 - 22,000 -	2	15,001 - 25,000 -	2
22,001 - 25,000 -	3	25,001 - 30,000 -	3
25,001 - 30,000 -	4	30,001 - 40,000 -	4
30,001 - 40,000 -	5	40,001 - 50,000 -	5
40,001 - 48,000 -	6	50,001 - 65,000 -	6
48,001 - 55,000 -	7	65,001 - 80,000 -	7
55,001 - 65,000 -	8	80,001 - 95,000 -	8
65,001 - 72,000 -	9	95,001 -120,000 -	9
72,001 - 85,000 -	10	120,001 and over	10
85,001 - 97,000 -	11		
97,001 -110,000 -	12		
110,001 -120,000 -	13		
120,001 -135,000 -	14		
135,001 and over	15		

Table 2

Married Filing Jointly		All Others	
If wages from **HIGHEST** paying job are—	Enter on line 7 above	If wages from **HIGHEST** paying job are—	Enter on line 7 above
$0 - $65,000	$560	$0 - $35,000	$560
65,001 - 125,000	930	35,001 - 90,000	930
125,001 - 185,000	1,040	90,001 - 165,000	1,040
185,001 - 335,000	1,220	165,001 - 370,000	1,220
335,001 and over	1,300	370,001 and over	1,300

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3402(f)(2) and 6109 and their regulations require you to provide this information; your employer uses it to determine your federal income tax withholding. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws; and to the Department of Health and Human Services for use in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Form **4506-T**
(Rev. September 2013)
Department of the Treasury
Internal Revenue Service

Request for Transcript of Tax Return

▶ **Request may be rejected if the form is incomplete or illegible.**

OMB No. 1545-1872

Tip. Use Form 4506-T to order a transcript or other return information free of charge. See the product list below. You can quickly request transcripts by using our automated self-help service tools. Please visit us at IRS.gov and click on "Order a Return or Account Transcript" or call 1-800-908-9946. If you need a copy of your return, use **Form 4506, Request for Copy of Tax Return.** There is a fee to get a copy of your return.

1a Name shown on tax return. If a joint return, enter the name shown first.	**1b First social security number on tax return, individual taxpayer identification number, or employer identification number (see instructions)**
2a If a joint return, enter spouse's name shown on tax return.	**2b Second social security number or individual taxpayer identification number if joint tax return**

3 Current name, address (including apt., room, or suite no.), city, state, and ZIP code (see instructions)

4 Previous address shown on the last return filed if different from line 3 (see instructions)

5 If the transcript or tax information is to be mailed to a third party (such as a mortgage company), enter the third party's name, address, and telephone number.

Caution. *If the tax transcript is being mailed to a third party, ensure that you have filled in lines 6 through 9 before signing. Sign and date the form once you have filled in these lines. Completing these steps helps to protect your privacy. Once the IRS discloses your tax transcript to the third party listed on line 5, the IRS has no control over what the third party does with the information. If you would like to limit the third party's authority to disclose your transcript information, you can specify this limitation in your written agreement with the third party.*

6 **Transcript requested.** Enter the tax form number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request. ▶ _____

a **Return Transcript,** which includes most of the line items of a tax return as filed with the IRS. A tax return transcript does not reflect changes made to the account after the return is processed. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120, Form 1120A, Form 1120H, Form 1120L, and Form 1120S. Return transcripts are available for the current year and returns processed during the prior 3 processing years. Most requests will be processed within 10 business days . . . . . ☐

b **Account Transcript,** which contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by you or the IRS after the return was filed. Return information is limited to items such as tax liability and estimated tax payments. Account transcripts are available for most returns. Most requests will be processed within 10 business days . ☐

c **Record of Account,** which provides the most detailed information as it is a combination of the Return Transcript and the Account Transcript. Available for current year and 3 prior tax years. Most requests will be processed within 10 business days . . . . . ☐

7 **Verification of Nonfiling,** which is proof from the IRS that you **did not** file a return for the year. Current year requests are only available after June 15th. There are no availability restrictions on prior year requests. Most requests will be processed within 10 business days . . ☐

8 **Form W-2, Form 1099 series, Form 1098 series, or Form 5498 series transcript.** The IRS can provide a transcript that includes data from these information returns. State or local information is not included with the Form W-2 information. The IRS may be able to provide this transcript information for up to 10 years. Information for the current year is generally not available until the year after it is filed with the IRS. For example, W-2 information for 2011, filed in 2012, will likely not be available from the IRS until 2013. If you need W-2 information for retirement purposes, you should contact the Social Security Administration at 1-800-772-1213. Most requests will be processed within 10 business days . ☐

Caution. *If you need a copy of Form W-2 or Form 1099, you should first contact the payer. To get a copy of the Form W-2 or Form 1099 filed with your return, you must use Form 4506 and request a copy of your return, which includes all attachments.*

9 **Year or period requested.** Enter the ending date of the year or period, using the mm/dd/yyyy format. If you are requesting more than four years or periods, you must attach another Form 4506-T. For requests relating to quarterly tax returns, such as Form 941, you must enter each quarter or tax period separately. _____ _____ _____ _____

Check this box if you have notified the IRS or the IRS has notified you that one of the years for which you are requesting a transcript involved **identity theft** on your federal tax return . . . . . ☐

Caution. Do not sign this form unless all applicable lines have been completed.

Signature of taxpayer(s). I declare that I am either the taxpayer whose name is shown on line 1a or 2a, or a person authorized to obtain the tax information requested. If the request applies to a joint return, at least one spouse must sign. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute Form 4506-T on behalf of the taxpayer. **Note.** *For transcripts being sent to a third party, this form must be received within 120 days of the signature date.*

Phone number of taxpayer on line 1a or 2a

Sign Here

▶ **Signature** (see instructions) — Date

▶ **Title** (if line 1a above is a corporation, partnership, estate, or trust)

▶ **Spouse's signature** — Date

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about Form 4506-T and its instructions, go to *www.irs.gov/form4506t.* Information about any recent developments affecting Form 4506-T (such as legislation enacted after we released it) will be posted on that page.

General Instructions

CAUTION. *Do not sign this form unless all applicable lines have been completed.*

Purpose of form. Use Form 4506-T to request tax return information. You can also designate (on line 5) a third party to receive the information. Taxpayers using a tax year beginning in one calendar year and ending in the following year (fiscal tax year) must file Form 4506-T to request a return transcript.

Note. If you are unsure of which type of transcript you need, request the Record of Account, as it provides the most detailed information.

Tip. Use Form 4506, Request for Copy of Tax Return, to request copies of tax returns.

Automated transcript request. You can quickly request transcripts by using our automated self-help service tools. Please visit us at IRS.gov and click on "Order a Return or Account Transcript" or call 1-800-908-9946.

Where to file. Mail or fax Form 4506-T to the address below for the state you lived in, or the state your business was in, when that return was filed. There are two address charts: one for individual transcripts (Form 1040 series and Form W-2) and one for all other transcripts.

If you are requesting more than one transcript or other product and the chart below shows two different addresses, send your request to the address based on the address of your most recent return.

Chart for individual transcripts (Form 1040 series and Form W-2 and Form 1099)

If you filed an individual return and lived in:	Mail or fax to:
Alabama, Kentucky, Louisiana, Mississippi, Tennessee, Texas, a foreign country, American Samoa, Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, or A.P.O. or F.P.O. address	Internal Revenue Service RAIVS Team Stop 6716 AUSC Austin, TX 73301 512-460-2272
Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, Wyoming	Internal Revenue Service RAIVS Team Stop 37106 Fresno, CA 93888 559-456-5876
Connecticut, Delaware, District of Columbia, Florida, Georgia, Maine, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia	Internal Revenue Service RAIVS Team Stop 6705 P-6 Kansas City, MO 64999 816-292-6102

Chart for all other transcripts

If you lived in or your business was in:	Mail or fax to:
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming, a foreign country, or A.P.O. or F.P.O. address	Internal Revenue Service RAIVS Team P.O. Box 9941 Mail Stop 6734 Ogden, UT 84409 801-620-6922
Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin	Internal Revenue Service RAIVS Team P.O. Box 145500 Stop 2800 F Cincinnati, OH 45250 859-669-3592

Line 1b. Enter your employer identification number (EIN) if your request relates to a business return. Otherwise, enter the first social security number (SSN) or your individual taxpayer identification number (ITIN) shown on the return. For example, if you are requesting Form 1040 that includes Schedule C (Form 1040), enter your SSN.

Line 3. Enter your current address. If you use a P. O. box, include it on this line.

Line 4. Enter the address shown on the last return filed if different from the address entered on line 3.

Note. If the address on lines 3 and 4 are different and you have not changed your address with the IRS, file Form 8822, Change of Address. For a business address, file Form 8822-B, Change of Address or Responsible Party—Business.

Line 6. Enter only one tax form number per request.

Signature and date. Form 4506-T must be signed and dated by the taxpayer listed on line 1a or 2a. If you completed line 5 requesting the information be sent to a third party, the IRS must receive Form 4506-T within 120 days of the date signed by the taxpayer or it will be rejected. Ensure that all applicable lines are completed before signing.

Individuals. Transcripts of jointly filed tax returns may be furnished to either spouse. Only one signature is required. Sign Form 4506-T exactly as your name appeared on the original return. If you changed your name, also sign your current name.

Corporations. Generally, Form 4506-T can be signed by: (1) an officer having legal authority to bind the corporation, (2) any person designated by the board of directors or other governing body, or (3) any officer or employee on written request by any principal officer and attested to by the secretary or other officer.

Partnerships. Generally, Form 4506-T can be signed by any person who was a member of the partnership during any part of the tax period requested on line 9.

All others. See section 6103(e) if the taxpayer has died, is insolvent, is a dissolved corporation, or if a trustee, guardian, executor, receiver, or administrator is acting for the taxpayer.

Documentation. For entities other than individuals, you must attach the authorization document. For example, this could be the letter from the principal officer authorizing an employee of the corporation or the letters testamentary authorizing an individual to act for an estate.

Signature by a representative. A representative can sign Form 4506-T for a taxpayer only if the taxpayer has specifically delegated this authority to the representative on Form 2848, line 5. The representative must attach Form 2848 showing the delegation to Form 4506-T.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to establish your right to gain access to the requested tax information under the Internal Revenue Code. We need this information to properly identify the tax information and respond to your request. You are not required to request any transcript; if you do request a transcript, sections 6103 and 6109 and their regulations require you to provide this information, including your SSN or EIN. If you do not provide this information, we may not be able to process your request. Providing false or fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Form 4506-T will vary depending on individual circumstances. The estimated average time is: **Learning about the law or the form,** 10 min.; **Preparing the form,** 12 min.; and **Copying, assembling, and sending the form to the IRS,** 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 4506-T simpler, we would be happy to hear from you. You can write to:

Internal Revenue Service
Tax Forms and Publications Division
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

Do not send the form to this address. Instead, see *Where to file* on this page.

ALABAMA HOUSING FINANCE AUTHORITY

Come on home, Alabama.

MCC TAX CREDIT WORKSHEET

Section A. Originator completes this section for Mortgagors eligible for 50% tax credit.

1. Enter the mortgage loan amount. $_____

2. Enter the interest rate. X _____ %

3. Establish the first year's interest by amortizing the loan for one year. $_____

4. Mortgage credit certificate rate x 50%

5. Calculate the tax credit (up to a maximum of $2,000) by multiplying 50% (0.5) by the first year's interest in line 3. $_____

÷ 12

6. Calculate the monthly benefit by dividing the tax credit (line 5) by 12 months. $_____

Section B. Example for completing Section A.

1. Enter the mortgage loan amount.	$ 100,000
2. Enter the interest rate.	3.375%
3. Establish the first year's interest by amortizing the loan for one year.	$ 3,375
4. Mortgage credit certificate rate	x 50%
5. Calculate the tax credit by multiplying 20% (0.2) by the first year's interest in line 3.	$ 1,687.50
	÷ 12
6. Calculate the monthly benefit by dividing the tax credit (line 5) by 12 months.	$ 140.62

**Review federal income tax return to verify sufficient liability.*

ServiSOLUTIONS®

A Department of Alabama Housing Finance Authority

QUALITY CONTROL CERTIFICATION AND AUTHORIZATION

The undersigned certify the following:

1. I/We, the undersigned borrower(s), understand that following loan closing, my/our file may be selected by _____ (the Lender), its agent or assignee, for a QUALITY CONTROL REVIEW which is intended to insure quality service to all borrowers and to verify that the mortgage loan conforms to lending regulations, as well as investor requirements.

2. I/We understand that such a review involves a reverification of the credit and employment information previously obtained and a review of the property appraisal report. Any information obtained in the granting of the loan may be reverified with third parties such as credit reporting agencies, employers, depository institutions, etc.

3. I /We hereby agree to cooperate fully with the Lender, its agent or assignee to the extent necessary to accomplish this objective and understand that the information obtained by the Lender, its agent or assignee is to be used only for purposes of the quality control review referred to above.

4. I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both to knowingly make any false statements when applying for this mortgage. (Title 18, United States Code, Section1014.)

AUTHORIZATION TO RELEASE INFORMATION

To Whom It May Concern:

1. As part of the application process, The Lender, its agent or assignee and the mortgage guarantee insurer may verify information contained in my/our loan application and in other documents required in connection with the loan, either before the loan is closed or as part of its quality control program.

2. I/We authorize you to provide to The Lender, its agent or assignee, to any investor to whom The Lender may sell my mortgage, and to the mortgage guaranty insurer any and all information and documentation that they request. Such information includes, but is not limited to, employment history and income; bank, money market, and similar account balance; credit history; and copies of income tax returns.

3. A copy of this authorization may be accepted as an original.

4. Mortgage guaranty Insurer (if applicable): _____

_____	_____	_____
Borrower	Date	Social Security Number
_____	_____	_____
Co-Borrower	Date	Social Security Number