

ARLINGTON HOUSING FINANCE CORPORATION

MORTGAGE CREDIT CERTIFICATE PROGRAM

INVITATION TO PARTICIPATE

Member FINRA & SIPC

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INVITATION TO PARTICIPATE

Arlington Housing Finance Corporation (“HFC”) invites you to apply for participation in its Mortgage Credit Certificate Program (the “MCC Program”) for single family residential housing. Mortgage Loans will be originated by lending institutions participating in the MCC Program as originating lenders (the “Lenders”) pursuant to the provisions of the Lender Participation Agreement (the “Agreement”). Hilltop Securities Inc. is acting as Program Administrator (the “Program Administrator”).

Brief Summary of the MCC Program

What is an MCC?

A Mortgage Credit Certificate (MCC) is a tool to promote home ownership for first-time homebuyers. MCCs are issued directly to qualifying applicants who can then take a non-refundable tax credit equal to a specified percentage of the interest paid on their mortgages each year. The maximum tax credit that may be taken for any given year is \$2,000. The homebuyer must have a tax liability to benefit from the annual credit in any given year; if the homebuyer’s tax liability is less than the applicable credit then the unused tax credit can be carried over to each of the 3 succeeding taxable years.

Example:

Mortgage Amount:	\$175,000.00
Interest Rate (not set by the MCC Program):	4.00%
Total Mortgage Interest Paid First Year:	\$7,000.00
Times Tax Credit Rate of 30%	\$2,100.00
Maximum Annual Tax Credit:	<u>\$2,000.00</u>

During the first year of the mortgage loan, the homebuyer would be entitled to the maximum tax credit of \$2,000.00. Based upon such entitlement, the homebuyer may file, in advance, a revised W-4 withholding form taking into consideration that this tax credit will provide the homebuyer with approximately \$167.00 per month in additional disposable income. The homebuyer may still deduct mortgage interest paid each year, less the dollar amount of the tax credit.

The benefit to the homebuyer is the tax credit and, for qualification purposes, the application of the credit against the borrower’s monthly mortgage payment for FHA and VA mortgage loans or an increase to the borrower’s net income for conventional and USDA mortgage loans. Underwriting guidelines change often, so always check current FHA, VA, USDA or conventional guidelines.

What are the mortgage rate and terms for the MCC Program?

MCCs do not restrict the type of financing with regard to type, term, rate, etc. Participating Lenders may charge borrowers market rates for mortgage loans. However, only first mortgages qualify for these MCC Program. Additionally, mortgages funded with a qualified mortgage bond or a qualified veteran's mortgage bond are not eligible.

What is the mortgage credit certificate rate for the MCC Program?

The mortgage credit certificate rate is defined in Exhibit A.

What happens to the mortgage loans with MCCs after closing?

Loans originated in connection with the MCC Program are maintained by the Lender and can be held or sold at the discretion of the originating Lender. All loan approvals, underwriting, and execution of required state and federal certificates or affidavits will be performed by the Lenders. The Program Administrator reviews the applicable certificates and affidavits with respect to borrower eligibility for the MCCs (for example, income limits, and purchase price restrictions).

What are the primary fees associated with an MCC?

MCC Package Review Fee	\$ 250.00	Paid by borrower, seller or any other person on the borrower's behalf; submitted to Program Administrator upon loan closing.
MCC Issuance Fee	\$1,000.00	

Lenders can charge reasonable and customary fees and charges for loan origination. Origination fees and discount points are not dictated by the MCC Program.

What borrowers qualify for the MCC Program?

Generally, borrowers must be considered first-time homebuyers (have not owned a home in the past three years as a primary residence) unless the home is located in Targeted Area as defined in Exhibit A, as applicable, or the homebuyer is a Qualified Veteran. Additionally, the borrower **must not exceed the maximum income or purchase price limits as defined in Exhibit A.**

What homes can be purchased through the MCC Program?

New or existing homes located within the Eligible Loan Areas as defined in Exhibit A.

How to Become a Participating Lender:

A Lender must be authorized to originate mortgage loans in the State of Texas and:

- 1. Sign the Lender Participation Agreement**
- 2. Complete and Sign the Lender Profile Form**

Email to: HTSHousing@HilltopSecurities.com

If you have any questions, please contact Hilltop Securities Inc. at htshousing@HilltopSecurities.com or 214.953-4176.

Exhibit A
(Program Summary)

Attached

Arlington Housing Finance Corporation Mortgage Credit Certificate (MCC) with optional Down Payment Assistance (DPA) Program

MORTGAGE
CREDIT CERTIFICATES

Achieve the dream of home ownership.

Program Summary

What is an MCC?

The MCC Program is a federal income tax credit program. An MCC entitles you to take a federal income tax credit equal to thirty percent (30%) of the annual interest you pay on your home mortgage, up to a maximum of \$2,000 per year. Because the MCC reduces your federal income taxes and increases your net earnings, it is a great help in qualifying for your first home mortgage. It increases the loan amount you qualify for **and** it increases your take-home pay. But it doesn't stop there. The MCC is registered with the IRS, and it continues to decrease your federal income taxes each year for as long as you owe amounts on your home mortgage. You must have a tax liability to benefit from the annual credit in any given year.

What is DPA?

Arlington Housing Finance Corporation MCC with Down Payment Assistance Program ("the Program") provides first-time homebuyers with down payment and closing cost assistance. The assistance is a non-forgivable second lien in the amount of \$7,500 per qualifying household. Repayment is due upon maturity, sale, transfer or refinancing. DPA is optional but only available with the MCC.

How to Qualify

- ❖ Your household income and the purchase price must not exceed the limits shown below.
- ❖ You must not have owned a principal residence in the last three years unless you are purchasing a residence in a Targeted Area or are a Qualified Veteran.
- ❖ You must occupy the home as your principal residence.
- ❖ You must apply for the MCC through a participating Lender and pay a non-refundable MCC Application Fee.
- ❖ You must purchase a home within the Eligible Loan Area.

MCC Program Limits

Maximum Income:

Non-Targeted Area	1 or 2 persons:	\$ 85,029
	3 + persons:	\$ 97,784
Targeted Area	1 or 2 persons:	\$ 91,200
	3 + persons:	\$106,400

Maximum Purchase Price:

New & Existing:	Non-Targeted Areas -	\$356,046
	Targeted Areas -	\$435,167

Eligible Loan Area

The geographic boundaries of the City of Arlington, Texas

Targeted Census Tracts

Targeted area census tracts are defined as areas where 70% of the families earn 80% or less of median income. Applicants who purchase homes in these areas do not have to be a first-time homebuyer. The current targeted area census tracts within the City of Arlington are: 1219.03*, 1219.05, 1219.06, and 1228.01.

*partially contained in the city limits

Recapture Tax

If you sell your home within nine years, you may have to pay a recapture tax. **Several conditions can exempt you from the recapture tax.** Call the Program Administrator or see your Lender for more details.

Availability of Funds

Funds are currently available on a first-come first-served basis.

How to Apply

- ❖ Choose a Lender. You may choose any Lender enrolled in the Program, and you may recommend any other lender to join the Program. For a list of participating lenders contact the Program Administrator at htshousing@hilltopsecurities.com or 214-953-4176
- ❖ After finding a property and having the seller accept your offer, escrow will be opened. You may apply for an MCC only while escrow is open, NOT after your escrow has closed.
- ❖ Read and sign your MCC Application and Affidavit and other documentation that the Lender prepares and sends to the Program Administrator.
- ❖ If your MCC application is approved, the Program Administrator will issue your Lender an MCC Commitment and a MCC Closing Affidavit.
- ❖ Sign the MCC Closing Affidavit with the other closing documents at the end of escrow.
- ❖ Look for your MCC document in the mail within 30 days after escrow closing.

Mortgage Financing

The Program does not place restrictions on the mortgage financing with regard to type, term or rate, except to require that the mortgage be a primary mortgage and to disallow refinancing unless issued to replace a construction period loan or bridge loan of a temporary nature. Also, no mortgages made from the proceeds of tax-exempt obligations are allowed.

Program Fees

MCC Package Review Fee	\$ 250.00
MCC Issuance Fee	\$1,000.00

A corporate check for the above fees should be made payable to "Hilltop Securities Inc."

Program Administrator

Hilltop Securities Inc. administers the Program for the Arlington Housing Finance Corporation and may be contacted at (214) 953-4176.

Please note that any statements in this fact sheet regarding tax matters cannot be relied upon by any person to avoid tax penalties. You should seek advice based on your individual circumstances from your tax advisor.

LENDER PARTICIPATION AGREEMENT
Mortgage Credit Certificate Program

This agreement (“Agreement”) is made and entered into, as of the date set forth below, by and between the Arlington Housing Finance Corporation (the “Issuer”) in connection with its Mortgage Credit Certificate Program (the “MCC Program”) and the below signed lender (the “Lender”).

RECITALS:

WHEREAS, pursuant to Chapter 1372, Texas Government Code, as amended, the rules promulgated by the Texas Bond Review Board thereunder, and Section 146 of the Internal Revenue Code of 1986, as amended, (the “Code”), the Issuer received an allocation of volume cap to issue single family mortgage revenue bonds to provide financing for owner-occupied residences located within the Issuer’s eligible loan areas (“Eligible Loan Areas”), to persons of low and moderate income;

WHEREAS, Section 25 of the Code allows the Issuer to elect not to issue an amount of single family mortgage revenue bonds and instead establish a program to issue mortgage credit certificates (“MCCs”) pursuant to such section;

WHEREAS, in furtherance of the purposes of the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code, as amended (the “Act”), pursuant to which the Issuer was created, the Issuer have determined to implement the MCC Program to assist persons of low and moderate income to afford the costs of acquiring and owning decent, safe and sanitary housing within the Eligible Loan Areas and, in connection therewith, have made a revocable election under Section 25 of the Code to exchange all or a portion of its bond authority for the authority to issue MCCs to qualified persons; and

WHEREAS, the Lender wishes to participate in the MCC Program administered by Hilltop Securities Inc., the Program Administrator, for the purpose of issuing MCCs in connection with mortgage loans the Lender will make available for the acquisition of new and existing single-family housing located within the boundaries of the Eligible Loan Areas.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the Issuer and Lender agree as follows:

AGREEMENT

The capitalized terms in this Agreement that are not defined herein shall have the meanings set forth in Appendix A to the Mortgage Credit Certificate Program Manual (“Manual”).

1. The Issuer hereby designates the Lender as a non-exclusive agent for receipt and processing of applications for MCCs.
2. The Lender agrees to adequately prepare those of its representatives that will assist the Lender in participating in the MCC Program by providing them with training and current materials before assigning them to work on the MCC Program.
3. The Lender agrees to make information regarding the MCC Program available to all potential borrowers who request such information or who may qualify for the MCC Program. The Lender will provide each potential borrower with a complete MCC information package at the time of applying for an MCC. The Lender will timely and in good faith review and process the application for potential borrowers in order to determine their eligibility for the applicable MCC Program and to efficiently complete the application and issuance process.
4. The Lender agrees to work cooperatively with the Issuer and the Program Administrator to represent the MCC Program fairly and accurately to the borrower.
5. The Lender will obtain from the borrower all documents and information required for the application for and issuance of an MCC, as directed by the Issuer and Program Administrator. The Lender will take the estimated tax credit into consideration when qualifying the borrower for the first mortgage.

6. The Lender will conduct such reasonable investigation as is necessary to certify that the borrower has satisfied all requirements of the applicable MCC Program, including those imposed by temporary and permanent Treasury Regulations promulgated under the Code (the "Regulations") and the applicable MCC Program eligibility requirements.

7. The Lender warrants that it is familiar with the laws applicable to the MCC Program, including the Regulations, state laws and guidelines established by the MCC Program, and that it will comply with all such laws, regulations and guidelines.

8. The Lender will charge a potential borrower applying for an MCC only those reasonable lending fees the Lender would charge a potential borrower applying for mortgages not connected with an MCC. In addition, the Lender agrees to charge each borrower, and pay to the Program Administrator, the fees specified in the Manual for processing each MCC.

9. The Lender will perform all investigation and verification that it would normally perform for underwriting a mortgage not accompanied by an MCC application. The Lender will notify the borrower and the Program Administrator in writing of any decision to cancel processing for any particular Mortgage Loan.

10. The Lender agrees to abide by the application timeline of the MCC Program, including: (a) to submit MCC applications only while escrow is open; (b) to wait until the MCC Commitment is issued before closing escrow; (c) to submit any required closing documentation within thirty (30) days of escrow closing or by the end of the Program Period, whichever occurs first; and (d) to relate these timeline restrictions to borrowers and to keep borrowers informed of the progress of their applications.

11. The Lender will strive to achieve and maintain a high standard of quality in its MCC-related work and submissions to the Program Administrator. The Lender agrees to comply with all timelines established by the MCC Program, as reflected in the Manual, and to pay any and all late fees charged by Program Administrator, in the Program Administrator's discretion, for errors and missed deadlines. The Lender further agrees to take immediate steps to correct any errors and missed deadlines upon request of the Program Administrator.

12. The Lender agrees to designate an MCC contact person for each of its branches. The contact person must attend at least one MCC training session, and will be responsible for timely circulating MCC Program correspondence to other personnel within the branch who perform work on the MCC Program. The contact person, or other person appointed by the Lender, shall also be responsible for designating Lender Portal access and remedying problems related to errors or missed deadlines.

13. The Lender agrees to keep complete files of each MCC-related loan for six (6) years following origination of the loan. The Lender further agrees to make accurate and timely annual filings of IRS Form 8329, which includes any mortgage loans originated in the prior calendar year. The Lender accepts full responsibility for these requirements irrespective of if and when the MCC-related loan is sold to another party.

14. The Lender agrees to inform the Issuer and Program Administrator immediately of any changes to the information submitted on the Lender Application Form and Lender Profile, especially those changes relating to MCC contact persons and their replacements.

15. This Agreement shall remain in full force and effect until terminated. This Agreement may be terminated by the Issuer, Program Administrator or Lender upon the giving of sixty (60) days written notice, specifying in such notice the effective date of the termination. Notwithstanding any such termination, the Lender agrees that it shall continue to file any and all reports required to be filed with the Internal Revenue Service, and shall maintain all records required to be maintained by it pursuant to the Code.

The Issuer or the Program Administrator, on behalf of the Issuer, may immediately terminate this Agreement and prohibit the Lender from participation in the MCC Program upon the Lender's failure to comply with the terms and conditions of this Agreement and upon written notice by the Issuer or the Program Administrator, on behalf of the Issuer. No amendment to this Agreement shall be effective unless reflected in a writing signed by both parties hereto or unless posted on the Program Lender Portal.

THIS AGREEMENT has been executed as of _____ and is signed by a designated representative of the Lender.

Lender Name: _____

Authorized Signature: _____

Printed Name: _____

Title: _____

Email: _____

This executed Agreement, along with the Lender Application Form is to be submitted to the Program Administrator's office.

Email to: HTSHousing@HilltopSecurities.com

This agreement accepted by Arlington Housing Finance Corporation as of _____, 20_____

Arlington Housing Finance Corporation

By: _____

**Hilltop Securities Inc. on behalf of
Arlington Housing Finance Corporation**

Member FINRA & SIPC

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Lender Profile

Thank you for participating in the **Arlington Housing Finance Corporation (MCC) Program**. In order to better serve you, we are requesting contact information for specific key personnel that we may need to communicate regarding the DPA program documentation. In addition, we will assign Lender Administrator access to the Lender Portal. Please indicate by checking the box below which contacts will require Lender Administrator Access. ***Please complete and return this form via email to htshousing@HilltopSecurities.com.***

Lender Administrator Access Description

Responsible for setting-up and managing user access to the Lender Portal. Can also view bulletins, loan status information and run and print reports for the entire lender institution.

Corporate Information

Legal Name	
DBA Name (if applicable)	
Corporate Address	
City, State & Zip	
Phone Number	

Primary Contact

(Responsible for notifying Hilltop Securities Inc. of changes in key personnel, designating lender portal access and remedying problems related to errors and/or missed deadlines)

Name		
Title		
Address		
City, State & Zip		
Phone Number	Email	
Lender Portal Administrator Access?	Yes	No

Primary Pre-Closing Contact

(Responsible for remedying problems related to errors and/or missed deadlines for Fort Bent County HFC DPA Program)

Name		
Title		
Address		
City, State & Zip		
Phone Number	Email	
Lender Portal Administrator Access?	Yes	No

Primary Post-Closing Contact

(Responsible for remedying problems related to errors and/or missed deadlines for Fort Bend County HFC DPA Program)

Name		
Title		
Address		
City, State & Zip		
Phone Number	Email	
Lender Portal Administrator Access?	Yes	No

Authorized Signature and Title: _____ Date: _____

Consent is given to Hilltop Securities Inc., as Program Administrator, to utilize the listed phone numbers/email addresses for communication of information related to the Arlington HFC MCC Program.