Mortgage Credit Certificate / Mortgage Tax Certificate — Per Agency

Conventional
When calculating the DTI ratio, treat the MCC as an addition to the borrower's income, rather than a reduction to the amount of the borrower's mortgage payment.
We will use the following calculation when determining the available income:
(Mortgage Amount) x (Note Rate) x (MCC %) ÷ 12 = Amount added to borrower's monthly income (Cannot be greater than $2,000 annually)

FHA
When calculating the DTI, treat the MCC as an addition to the borrower's income, rather than a reduction to the amount of the borrower's mortgage payment.
We will use the following calculation when determining the available income:
(Mortgage Amount) x (Note Rate) x (MCC %) ÷ 12 = Amount added to borrower's monthly income (Cannot be greater than $2,000 annually)

USDA
When calculating the DTI, we will deduct the MCC monthly benefit from the PITI payment before the ratio calculation.
We will use the following calculation when determining the available income:
(Mortgage Amount) x (Note Rate) x (MCC %) ÷ 12 = Amount added to borrower's monthly income (Cannot be greater than $2,000 annually)

VA
VA allows MCC to reduce the federal tax liability only. The MCC cannot be used to increase qualifying income or to reduce the mortgage PITI.

Deviations:
CHFA doesn't have a MCC option.
PHFA will not allow the MCC to be used to increase the qualifying income, therefore, because the payment isn't paid directly to the servicer, we cannot include it for qualification.

October 2019