

PROGRAM MANUAL

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NEVADA RURAL HOUSING AUTHORITY  
2009 MORTGAGE CREDIT CERTIFICATE PROGRAM

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## EXHIBITS

- EXHIBIT A — Schedule of Program Fees and Expenses
- EXHIBIT B — MCC Information Guide with MCC Homebuyer Worksheet
- EXHIBIT C — Mortgage Credit Certificate Commitment Letter
- EXHIBIT D — Form of Mortgage Credit Certificate
- EXHIBIT E — Description of Targeted Areas

## ATTACHMENTS

- DOCUMENT 1 — Affidavit of Applicant
- DOCUMENT 2 — Preliminary Notice of Potential Recapture Tax
- DOCUMENT 3 — MCC Submission Cover Sheet
- DOCUMENT 4 — Reaffirmation of Applicant
- DOCUMENT 5 — Tax Return Affidavit
- DOCUMENT 6 — Affidavit of Seller
- DOCUMENT 7 — Certificate of Lender
- DOCUMENT 8 — Closing Affidavit
- DOCUMENT 9 — Notice of Potential Recapture Tax
- DOCUMENT 10 — Extension Request Form
- DOCUMENT 11 — Notice of Denial of Eligibility for MCC
- DOCUMENT 12 — MCC Reissuance Application

**PROGRAM MANUAL**  
**FOR**  
**NEVADA RURAL HOUSING AUTHORITY**  
**2009 MORTGAGE CREDIT CERTIFICATE PROGRAM**

**INTRODUCTION**

Nevada Rural Housing Authority has received a total allocation of \$25,975,000 to implement a single family mortgage credit certificate program within the geographic area within the State of Nevada except for the corporate limits of a city or town with a population equal to or greater than 100,000 as of the 2000 Census, which includes the Nevada Cities of Henderson, Las Vegas, North Las Vegas and Reno and the Nevada Towns of Paradise, Spring Valley and Sunrise Manor, which will allow the Authority to issue MCCs (as defined below) in total proceeds (*i.e.*, 20 percent of the total Certified Indebtedness Amount of all MCCs issued with respect to Category 1 Loans plus 30 percent of the total Certified Indebtedness Amount of all MCCs issued with respect to Category 2 Loans) not to exceed \$6,493,750, which amount may be increased by the Authority in its sole discretion upon the application of additional bond allocation to the Program. The Program Manager will be Harris Housing Advisors, LLC (the “*Program Manager*”) and the Program Administrator will be the Nevada Rural Housing Authority (the “*Administrator*”). All capitalized terms used herein shall have the meanings assigned to them in the Definition Section of this Program Manual.

**TAX DISCLAIMER**

This material is not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This material may be used to support the promotion or marketing of the matter discussed herein. The taxpayer should seek advice from an independent tax advisor regarding the matter set forth herein based on the taxpayer’s particular circumstances.

**GENERAL OVERVIEW**

A mortgage credit certificate (an “*MCC*”) is an instrument designed to assist persons of low and moderate income to better afford individual ownership of housing. The procedures for issuing MCCs were established as an alternative to the issuance of single family mortgage revenue bonds. As distinguished from a bond program, in an MCC program no bonds are issued and mortgages are financed in the conventional or government-insured market. However, the mortgagor may take a tax credit in an amount equal to the annual amount of interest paid on the mortgage loan multiplied by the Mortgage Credit Certificate Rate. The Mortgage Credit Certificate Rate for the Program is 20 percent with respect to each Category 1 Loan (*i.e.*, a loan for which the Certified Indebtedness Amount is greater than \$190,000) and 30 percent with respect to each Category 2 Loan (*i.e.*, a loan for which the Certified Indebtedness Amount is equal to or less than \$190,000).

Thus, an Applicant with a \$200,000 mortgage (which constitutes a Category 1 Loan and eligible for a 20 percent Mortgage Credit Certificate Rate) and a 5.5% interest rate could realize the following federal income tax savings (numbers are rounded):

Mortgage Amount:	\$200,000
Interest Rate:	5.5 percent
Total Interest Paid First year:	\$11,000
(Mortgage Credit Certificate Rate)	<u>x .20</u>
	\$2,200

An Applicant with a \$120,000 mortgage (which constitutes a Category 2 Loan and eligible for a 30 percent Mortgage Credit Certificate Rate) and a 5.5% interest rate could realize the following federal income tax savings (numbers are rounded):

Mortgage Amount:	\$120,000
Interest Rate:	5.5 percent
Total Interest Paid First year:	\$6,600
(Mortgage Credit Certificate Rate)	<u>x .30</u>
	\$1,980

During the first year of the Program, the Applicant in the first example above would be eligible for a tax credit of up to \$2,200 and the Applicant in the second example above would be eligible for a tax credit of up to \$1,980. The Applicant would be able to file a revised W-4 withholding form taking into consideration the anticipated tax credit and have approximately \$183 per month in additional disposable income in the case of the first example above and \$165 per month in additional disposable income in the case of the second example above. Additionally, taxpayers who file itemized returns may take a deduction for their mortgage interest paid each year, less an amount equal to the tax credit actually taken.

The amount of the credit actually claimed on the MCC holder's federal income tax return cannot exceed the amount of federal income taxes due after other credits and deductions have been taken into account, and because the Mortgage Credit Certificate Rate exceeds 20 percent in the case of a Category 2 Loan, the annual credit cannot exceed \$2,000 with respect to an MCC issued in connection with a Category 2 Loan. Any unused MCC related tax credit can be carried forward up to three years to be applied against future income tax liability. *In addition, all or a portion of the MCC related tax credit may be subject to recapture if the Residence is sold within nine years of purchase.* This tax credit recapture is further explained in the Notice of Potential Recapture Tax included with this Program Manual.

A purchaser of a new or existing single family home or a homeowner who is refinancing a Qualified Subprime Loan may apply for an MCC through any mortgage lender at the time he or she applies for a mortgage from the lender. An MCC cannot be issued to a homebuyer (i) who is refinancing an existing mortgage, unless such homebuyer is refinancing a Qualified Subprime Loan or (ii) in connection with a mortgage from a relative. Also, an MCC cannot be used in

connection with a bond financed mortgage loan. An MCC may be re-issued to an existing MCC holder in the event such MCC holder refinances the Loan on his or her Residence.

Since the Authority will not make or hold these mortgages, neither the Authority, the Program Manager nor the Administrator will underwrite the Loans. Rather, all Loan approval, underwriting and execution of required State and federal certifications or affidavits will be performed by the mortgage lenders originating the loans. The Program Manager will work with the Lender to expedite the Program. The Administrator will receive executed certificates and affidavits of each applicant from the Lender in order to determine eligibility for the MCC Program. Lenders will process mortgage loans of all types, using normal procedures, with additions to procedures at relevant points in order to satisfy MCC Program requirements. The MCC Program requirements are independent of any normal underwriting requirements of the Lender. In order to qualify for issuance of an MCC an applicant must meet all MCC requirements in addition to any FHA, VA, RHS or conventional loan standards which must be met to satisfy the Lender.

The Authority encourages anyone who believes they qualify to apply for an MCC to apply at the offices of any Lender who can explain the Program and its restrictions. Use of the MCC Information Guide and the MCC Homebuyer Worksheet (each attached hereto as *Exhibit B*) can assist Lenders and Applicants in determining whether an Applicant may qualify for the Program. The Lender should be well-versed in the State and federal restrictions so that Applicants are made aware of these restrictions before the Application is taken. The Lender must reject those Applications where the Applicant does not qualify under the requirements of the Program.

The purpose of this Program Manual is to describe the Program, outline the relevant State and federal restrictions, identify the respective roles of the Authority, the Administrator, the Program Manager, the Lender, the Applicant, and the Seller, and detail the processing procedures. The Program definitions and Program documents are included for reference.

The Authority may revise this Program Manual from time to time by issuing amendments to the Program Manual. Changes required by the Code may require revisions to the procedures outlined in this Program Manual.

#### **DEFINITIONS**

As used in this Program Manual, the following words and terms have the meanings set forth below:

*“Acquisition Cost”* - The cost to an Applicant of acquiring a Residence from the Seller as a completed residential unit, including: (i) all amounts paid, either in cash or in kind, by the Applicant (or a related party or for the benefit of the Applicant) to the Seller (or a related party or for the benefit of the Seller) as consideration for the Residence; (ii) if the Residence is incomplete, the reasonable cost of completing it, whether or not such cost is to be financed with the Loan; and (iii) if the Residence is purchased subject to a ground lease, the capitalized value of the ground rent calculated using a discount rate authorized by the Internal Revenue Service.

“Acquisition Cost” does not include: (i) usual and reasonable settlement and financing costs (including title and transfer fees, title insurance, survey fees, credit reference fees, legal fees, appraisal expenses, points paid by the Applicant (but not points paid by the Seller) and other similar costs), but only to the extent that such amounts do not exceed the usual and reasonable costs which would be paid by the Applicant in a case in which financing is not assisted by the issuance of an MCC or provided through the issuance of tax exempt bonds (for example, if the Applicant agrees to pay more than a pro rata share of property taxes, such excess shall be treated as part of the Acquisition Cost); (ii) the value of services performed by the Applicant or members of the Applicant’s family (including brothers, sisters, spouse, lineal ancestors and lineal descendants only) in completing the Residence; and (iii) the cost of land which has been owned by the Applicant for at least two years prior to the date on which construction of the Residence begins. This term is more fully described on Worksheet Two to the Affidavit of Applicant and in the Affidavit of Seller, if applicable. *For purposes of determining the Acquisition Cost of a Residence with respect to the refinancing of a Qualified Subprime Loan, the market value of the Residence at the time of the Closing shall be deemed the Acquisition Cost. Market value may be determined by an appraisal of the Residence in connection with the refinancing of the related Qualified Subprime Loan or such other method acceptable to the Administrator.*

“Acquisition Cost Limits” - As new Average Area Purchase Price figures are determined, the Acquisition Cost Limits will equal 90% of the Average Area Purchase Price applicable to the size of the Residence for Non Targeted Areas and 110% of the Average Area Purchase Price applicable to the size of the Residence for Targeted Areas. Initially the following shall be the applicable maximum Acquisition Cost Limits, but these amounts are subject to reduction by any applicable FHA limits, or such revised amounts as may be effective from time to time, as required by the Regulations:

*For Carson City:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$358,875	\$438,625
Two Unit	\$404,206	\$494,029
Three Unit	\$491,092	\$600,223
Four Unit	\$566,644	\$692,565

*For Clark County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$360,000	\$440,000
Two Unit	\$405,473	\$495,578
Three Unit	\$492,631	\$602,104
Four Unit	\$568,421	\$694,736

*For Douglas County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$429,619	\$525,090
Two Unit	\$524,546	\$641,111
Three Unit	\$637,342	\$778,973
Four Unit	\$735,394	\$898,815

*For Elko, Eureka and Nye Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$292,500	\$357,500
Two Unit	\$329,447	\$402,658
Three Unit	\$400,263	\$489,210
Four Unit	\$461,842	\$564,473

*For Lyon County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$298,125	\$364,375
Two Unit	\$335,782	\$410,401
Three Unit	\$407,960	\$498,617
Four Unit	\$470,723	\$575,328

*For Storey and Washoe Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$429,619	\$525,090
Two Unit	\$483,887	\$591,418
Three Unit	\$587,899	\$718,544
Four Unit	\$678,346	\$829,089

*For Churchill, Esmeralda, Humboldt, Lander, Lincoln, Mineral, Pershing and White Pine Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$237,031	\$289,704
Two Unit	\$303,451	\$370,884
Three Unit	\$366,802	\$448,313
Four Unit	\$455,845	\$557,144

The determination whether the Residence meets the applicable Acquisition Cost Limit shall be made as of the date of the issuance of the MCC. These limits are subject to adjustment at any time. Any revisions of the aforesaid Acquisition Cost Limits by the Authority or the Administrator may rely upon average area purchase price limitations published by the Treasury

Department, any successor thereof, or as may be provided in Section 143 of the Code, for the statistical area in which the Residence is located. *With respect to refinancings of Qualified Subprime Loans, for purposes of applying the Acquisition Cost Limits, the market value of the Residence at the time of the Closing shall be deemed the Acquisition Cost. Market value may be determined by an appraisal of the Residence in connection with the refinancing of the related Qualified Subprime Loan or such other method acceptable to the Administrator.*

“Act” - Chapter 315 of the Nevada Revised Statutes, as amended, of the State of Nevada, as amended.

“Administrator” - Nevada Rural Housing Authority, its successors and assigns.

“Adjusted Gross Income” - With respect to a person, the adjusted gross income of such person (as set forth on the appropriate line of the federal income tax return filed by such person with the Internal Revenue Service or, in the case of a person not required to file such a return, as evidenced by cancelled salary checks, wage statements or such other information as may be acceptable to the Lender and the Administrator), together with the Adjusted Gross Income of all persons who intend to reside with such person in one dwelling unit (based on similar evidence), for the tax year immediately preceding the date of issuance of the MCC.

“Affidavit” - An affidavit filed in connection with the Program made under oath and subject to the penalties of perjury and the civil penalties provided therein.

“Anticipated Annual Family Income” - The sum of (a) the gross monthly income of the Applicant and (b) the gross monthly income of anyone who is expected both to live in the Residence and to be secondarily liable on the Loan, multiplied by 12. Gross monthly income is the sum of gross monthly pay, any additional income from investments, pensions, Department of Veterans Affairs (VA) compensation, part-time employment, net bonuses, dividends, interest, over-time pay, net rental income, royalties, etc., and other income (such as alimony and child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts or from business activities or investments). The Anticipated Annual Family Income cannot exceed the Income Limits, which shall be determined as of the date of issuance of the MCC.

“Applicant” - Any person or persons: (i) whose Anticipated Annual Family Income does not exceed the Income Limits; (ii) who intends to occupy the Residence to be financed with a Loan as his or her Principal Residence within a reasonable period (not to exceed 60 days) following the issuance of the MCC; (iii) who (except in the case of an Applicant who is obtaining a Targeted Area Loan, who is a Qualified Veteran or who is refinancing a Qualified Subprime Loan) has not had a present Ownership interest in a Principal Residence at any time during the three-year period ending on the date of issuance of the MCC; (iv) who has not had an existing mortgage (including a deed of trust, conditional sales contract, pledge, agreement to hold title in escrow or any other form of owner-financing), whether or not paid off, on the Residence to be financed with such Loan at any time prior to the execution of the Loan, other than a mortgage with respect to a Qualified Subprime Loan being refinanced with the Loan, an existing mortgage securing a construction period loan, bridge loan or similar temporary

financing initially incurred for the sole purpose of acquiring the Residence and initially incurred within 24 months of execution of the Loan and having an original term not exceeding 24 months; and (v) who meets the criteria set forth in this Program Manual.

“*Authority*” - Nevada Rural Housing Authority, its successors and assigns, whose address is 3695 Desatoya Drive, Carson City, Nevada 89701.

“*Average Area Purchase Price*” - With respect to any Residence the safe harbor average area purchase price of all single family residences in the statistical area in which the Residence being financed is located which were purchased during the most recent twelve month period for which information is provided pursuant to Section 143(e) of the Code. The Average Area Purchase Prices for the Eligible Loan Area in effect at implementation of the Program are as follows:

*For Carson City:*

One Unit	\$398,750
Two Unit	\$449,118
Three Unit	\$545,658
Four Unit	\$629,605

*For Clark County:*

One Unit	\$400,000
Two Unit	\$450,526
Three Unit	\$547,368
Four Unit	\$631,579

*For Douglas County:*

One Unit	\$477,355
Two Unit	\$582,829
Three Unit	\$708,158
Four Unit	\$817,105

*For Elko, Eureka and Nye Counties:*

One Unit	\$325,000
Two Unit	\$366,053
Three Unit	\$444,737
Four Unit	\$513,158

*For Lyon County:*

One Unit	\$331,250
Two Unit	\$373,092
Three Unit	\$453,289
Four Unit	\$523,026

*For Storey and Washoe Counties:*

One Unit	\$477,355
Two Unit	\$537,653
Three Unit	\$653,222
Four Unit	\$753,718

*For Churchill, Esmeralda, Humboldt, Lander, Lincoln, Mineral, Pershing and White Pine Counties:*

One Unit	\$263,368
Two Unit	\$337,168
Three Unit	\$407,558
Four Unit	\$506,495

The aforementioned Average Area Purchase Prices are subject to adjustment at any time.

*“Category 1 Loan”* - A Loan having a Certified Indebtedness Amount greater than \$190,000.

*“Category 2 Loan”* - A Loan having a Certified Indebtedness Amount equal to \$190,000 or less.

*“Certificate Limit”* - Initially, \$6,493,750, the maximum aggregate amount of MCC authority for the Program, which equals 25% of the nonissued bond amount (\$25,975,000) allocated to the Authority, subject to being increased at the option of the Authority at any time prior to the termination of the Program.

*“Certified Indebtedness Amount”* - The amount of the Loan which is subject to the mortgage credit provided by the MCC. *The Certified Indebtedness Amount on the reissued MCC may not exceed the outstanding balance of the Loan associated with the existing MCC.*

*“Closing or Closing Date”* - The funding of a Loan by the Lender and the execution and delivery by the Applicant of all documents in connection therewith. *“Closed”* means a Loan for which a Closing has occurred.

*“Code”* - The Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Program.

*“Eligible Loan Area”* - The geographic area within the State of Nevada except for the corporate limits of a city or town with a population equal to or greater than 100,000 as of the 2000 Census, which includes the Nevada Cities of Henderson, Las Vegas, North Las Vegas and Reno and the Nevada Towns of Paradise, Spring Valley and Sunrise Manor.

“Existing Housing” - A single family dwelling unit that has been occupied prior to execution of the Loan commitment.

“FHA” - The Federal Housing Administration of the United States Department of Housing and Urban Development, or other agency or instrumentality created or chartered by the United States to which the powers of the Federal Housing Administration have been transferred.

“FHA Insurance” - The insurance on mortgage loans presently issued by FHA under the National Housing Act of 1934, as amended, pursuant to one of the following FHA Insurance programs:

- (a) FHA Section 203(b), Home Unsubsidized;
- (b) FHA Section 203(b)(2), Veterans Status; or
- (c) FHA Section 234(c), Condominium Ownership.

“GNMA” - The Government National Mortgage Association, a wholly-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 1934, as amended (12 U.S.C., §1716 *et seq.*), its successors and assigns.

“Income Limits” - The Anticipated Annual Family Income of an Applicant is limited to the following:

*For Carson City:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$75,720	\$77,400
Families of 3 or more persons	\$88,340	\$90,300

*For Clark County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$76,680	\$77,400
Families of 3 or more persons	\$89,460	\$90,300

*For Douglas County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$86,640	\$86,640
Families of 3 or more persons	\$101,080	\$101,080

*For Elko County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$66,500	\$79,800
Families of 3 or more persons	\$76,475	\$93,100

*For Eureka County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$64,500	\$77,400
Families of 3 or more persons	\$74,175	\$90,300

*For Humboldt County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$66,100	\$79,320
Families of 3 or more persons	\$76,015	\$92,540

*For Storey and Washoe County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$83,400	\$83,400
Families of 3 or more persons	\$97,300	\$97,300

*For Churchill, Esmeralda, Lander, Lincoln, Lyon, Mineral, Nye, Pershing and White Pine Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$64,500	\$77,400
Families of 3 or more persons	\$74,175	\$90,300

The Income Limits are subject to adjustment at any time.

“*Lender*” - An institutional lender regulated by state or federal law, or any other entity which in its regular course of business makes mortgage loans which would qualify for MCC assistance and is authorized to do business in the Eligible Loan Area.

“*Loan*” - A conventional, FHA-insured, VA-guaranteed or RHS-guaranteed mortgage loan to finance the purchase of an eligible dwelling unit which meets the requirements set forth in this Program Manual and has a rate of interest that is fixed to maturity.

“MCC” or “Mortgage Credit Certificate” - A mortgage credit certificate issued pursuant to the terms and conditions of the Program, the form of which attached hereto as *Exhibit D*.

“MCC Commitment Letter” - A letter executed by the Administrator in the form provided by the Authority, the form of which is attached hereto as *Exhibit C*.

“Mortgage” - The written instrument securing the related Loan and encumbering a Residence.

“Mortgage Credit Certificate Rate” - For purposes of this Program, 20 percent with respect to each Category 1 Loan and 30 percent with respect to each Category 2 Loan, each of which may be changed by the Authority with written direction to the Lenders upon any increase in the Certificate Limit or otherwise.

“New Housing” - A single family dwelling unit that is proposed to be constructed, currently under construction, or existing but not previously occupied.

“Non-Targeted Area” - An area in the Eligible Loan Area other than a Targeted Area.

“Ownership” - Ownership by any means, whether outright or partial, including property subject to a mortgage or other security interest, including a fee simple ownership interest, a joint ownership interest by joint tenancy, tenancy in common, or tenancy by the entirety, an ownership interest in trust, a life estate interest, a purchase by a land contract or contract for deed. The term does not include: (i) a remainder interest; (ii) a lease with or without an option to purchase; (iii) a mere expectancy to inherit an interest; (iv) the interest that a purchaser of a Residence acquires on the execution of a purchase contract; and (v) an interest in other than a Principal Residence. This term is more fully described in paragraph 6 of the Affidavit of Applicant. An Ownership interest in a mobile home or other factory-made housing which was permanently affixed to real property owned by the Applicant constitutes Ownership in a Principal Residence.

“Principal Residence” - A Residence that, depending on all the facts and circumstances (including the good faith intent of the occupant), is occupied primarily for residential purposes. Principal Residence does not include a home used as an investment property or a recreational home, or a home that is used primarily in a trade or business (as evidenced by the use of more than 15 percent of the total floor space in a trade or business). The Applicant may not claim, with respect to the Residence, any deductions pursuant to Section 280A of the Code for expenses incurred in connection with the business use of a home.

“Prohibited Mortgage” - A Prohibited Mortgage is any mortgage financed in whole or in part with the proceeds of qualified mortgage bonds or qualified veterans’ mortgage bonds.

“Program” - Nevada Rural Housing Authority 2009 Mortgage Credit Certificate Program.

*“Program Documents”* - This Program Manual, including all instructions and forms attached thereto, the Administration Agreement by and between the Authority and the Administrator and the Lender Participation Agreement by and among each Lender, the Administrator and the Authority, each as amended from time to time.

*“Program Manager”* - Harris Housing Advisors, LLC as the Program Manager for the Program.

*“Program Manual”* - Nevada Rural Housing Authority 2009 Mortgage Credit Certificate Program Manual, as revised and amended from time to time.

*“Qualified Appraiser”* - An individual or firm acceptable to FHA and the Administrator.

*“Qualified Condominium Unit”* - A condominium unit meeting the requirements of the GNMA Guide and which is acceptable to FHA.

*“Qualified MCC”* - An MCC meeting all of the requirements of the Code and Regulations applicable to the Program.

*“Qualified Subprime Loan”* - An adjustable rate single-family residential mortgage loan made after December 31, 2001 and before January 1, 2008 that the Administrator at the direction of the Authority determines would be reasonably likely to cause financial hardship to the Applicant if not refinanced. For this purpose, the Authority may base determinations with respect to likely financial hardship to Applicants on reasonable estimates made in good faith.

*“Qualified Veteran”* - An Applicant who is a “veteran” (as defined in 38 U.S.C. Section 101) who has not previously obtained a mortgage credit certificate or a loan financed by single family mortgage revenue bonds utilizing the veteran exception set forth in Section 416 of the Tax Relief and Health Code Act of 2006.

*“Regulations”* - The applicable proposed, temporary or final Treasury Regulations promulgated under the Code (or any prior version thereof), as such regulations may be amended or supplemented from time to time.

*“Residence” or “Home”* - A residential unit which is located within the Eligible Loan Area, including a condominium unit, if such unit is a Qualified Condominium Unit, but not a two-, three- or four-family residence and ownership is fee simple and land appurtenant to the residential unit, (i) which is designed and intended primarily for residential housing, (ii) which will be occupied by the Applicant as his or her Principal Residence within a reasonable period (not to exceed 60 days) following the issuance of the MCC, (iii) which unit is permanently affixed to land, (iv) the Acquisition Cost of which does not exceed the Acquisition Cost Limits for the area within which the residence is located, and (v) which appurtenant land is not in excess of one acre and which land reasonably maintains the basic livability of the residence and does not provide other than incidentally, a source of income to the Applicant, including child care services on a regular basis for compensation. A Residence does not include rental houses or vacation homes. A Residence includes a manufactured home only if it has a minimum of 400

square feet of living space and a minimum width in excess of 102 inches and which is of a kind customarily used at a fixed location. The term “Residence” does not include recreational vehicles, campers and other similar vehicles.

“*RHS*” - The Rural Housing Service of the United States Department of Agriculture, its successors and assigns.

“*RHS Guaranty*” - A guaranty of a Loan pursuant to the RHS Single Family Housing Guaranteed Loan Program.

“*Seller*” - With respect to a Loan, the seller of the Residence being financed with such Loan.

“*State*” - The State of Nevada.

“*Submission Package*” - The affidavits, certificates and supporting documentation which the Lender agrees to submit to the Administrator in connection with an application for the issuance of an MCC, more particularly described in Section G hereof.

“*Targeted Area*” - A census tract in which 70 percent or more of the families have an income which is 80 percent or less of the statewide median family income, or an area designated as an area of chronic economic distress. Such areas are not subject to the prior home ownership restriction. The initial Targeted Areas in the Eligible Loan Area are the geographical areas set forth in *Exhibit E* attached hereto.

“*Targeted Area Loan*” - A Loan to provide financing for the purchase of a Residence which is located in a Targeted Area.

“*Targeted Area Residence*” - A Residence which is located in a Targeted Area.

“*Tax Certificate*” - The ad valorem tax certificate or statement evidencing that the Residence is located within the Eligible Loan Area.

“*VA*” - The Department of Veterans Affairs, an agency of the United States of America, or any successor to its functions.

“*VA Guaranty*” - A guaranty of a Loan by VA pursuant to the provisions of the Servicemen’s Readjustment Act of 1944, as amended.

#### **LOAN PROCESSING PROCEDURES AND PROGRAM ADMINISTRATION**

An Applicant who may be eligible should apply for an MCC in conjunction with his or her conventional, FHA, VA or RHS mortgage loan application submitted to the Lender of his or her choice.

The MCC processing procedures are designed to coincide with the regular, on-going mortgage loan processing and underwriting procedures that are in place at most mortgage lending institutions. The Authority recognizes that there are procedural variations among the Lenders; consequently, the procedures outlined herein are meant to be suggestive with respect to the sequence of events. However, all the elements of the processing sequence noted below must at some point be completed by the responsible party.

The fees of the Program are set forth at each step in the processing procedures as follows, and the fees charged by the Lender in connection with the Program may in no event exceed the fees specified in this Program Manual. A Schedule of Fees is attached hereto as *Exhibit A*.

The following is the Loan processing and Program administration sequence of events for the MCC Program:

A. LOAN ORIGINATION AND MCC APPLICATION

1. The Applicant applies for a Loan from a Lender.
2. Lender verifies that the Residence is within the Eligible Loan Area.
3. Lender gives the Applicant an MCC Information Guide that explains the Program and contains consumer information. The MCC Information Guide is intended to present certain facts to the Applicant concerning the restrictions, regulations, and prohibitions of the Program because of certain federal and State regulations, as well as restrictions imposed by the Authority and to explain the penalties for misuse of the Program. It is imperative that the Applicant understands the terms and conditions of the Program. During the initial interview, it is the responsibility of the Lender to explain the terms and conditions of the Program to the Applicant, and to make sure that the Applicant receives a copy of the MCC Information Guide.
4. Lender generally determines if the Applicant is a possible candidate for an MCC, based on preliminary indications of Anticipated Annual Family Income, Acquisition Cost, prior Ownership, tax liability, and other relevant factors. (Use of the MCC Homebuyer Worksheet is helpful in making this determination.)
5. No applications for an MCC under the Program may be taken from an Applicant by a Lender prior to January 14, 2009. No MCCs may be issued prior to January 14, 2009. All persons interested in making applications for an MCC must be considered on a first-come, first-served basis and must have an application for a Loan on file with the Lender. Lenders must keep a record of all MCC applications received and the disposition of such applications.
6. The Applicant must review and sign the Affidavit of Applicant as well as the Preliminary Notice of Potential Recapture Tax, which, together with the Tax Certificate, serve as the application for an MCC (the "*Application*").
7. Upon submission of an Application by an Applicant, the Lender may collect and retain an MCC Application Fee of \$75. The MCC Application Fee is non-refundable and may

be waived by the Lender or paid by the Applicant, the Seller, or any other person on the Applicant's behalf.

8. Lender submits the Application to the Administrator.

9. Lender may provide the Applicant a copy of IRS Form W-4 Employee's Withholding Allowance Certificate which contains the IRS instructions for the taxpayer. The Applicant may complete the W-4, if necessary, to change his/her federal withholding tax, adjusting it in an amount comparable to the expected MCC tax credit and submitting it to the taxpayer's employer.

#### B. ADMINISTRATOR REVIEW AND ISSUANCE OF MCC COMMITMENT LETTER

1. Administrator reviews the Application to determine whether it has been completed in accordance with the requirements of the Code and this Program Manual and has been properly executed. If the Application involves a refinancing of a prior loan on the Applicant's Residence as indicated on the Affidavit of Applicant, the Administrator in consultation with the Authority shall review the Application and determine whether or not the Loan to which the MCC relates is refinancing a Qualified Subprime Loan.

2. If Administrator determines that the Application meets the requirements set forth in B.1 above, Administrator issues an MCC Commitment Letter to Lender stating that the Applicant has received preliminary approval and that an MCC will be executed and delivered to the Applicant upon Closing of the Loan, subject to completion of all of the remaining requirements of the Program.

3. Administrator shall keep an ongoing, cumulative-to-date total of MCC Commitment Letters issued to Lenders and of MCCs issued, less the amount of any MCC Commitment Letters which have expired or terminated. The MCC Commitment Letter will contain an expiration date of three months on a Loan for Existing Housing and six months on a Loan for New Housing.

4. When MCC Commitment Letters or MCCs have been issued which have effectively committed 75 percent of the Certificate Limit for the Program, the Administrator shall prepare and distribute a notice to all Lenders and to the Authority stating that 75 percent of Certificate Limit has been utilized.

5. When MCC Commitment Letters or MCCs have been issued which have effectively committed all of the Certificate Limit for the Program, the Administrator shall maintain a list of Applicants in order of receipt of Application without depositing the MCC Application Fee.

6. MCC Commitment Letters may not be transferred from one Lender to another. In the event an Applicant elects to change Lenders, the MCC Commitment Letter which has been issued shall be revoked and a new application process must be commenced by the Applicant with the new Lender including the payment of a new MCC Application Fee.

### C. LENDER LOAN APPROVAL AND VERIFICATION

1. The Lender must request the Applicant to supply his or her federal income tax returns for the previous three years to be included in the final MCC Submission Package submitted to the Administrator along with the Tax Return Affidavit. Only the prior year's income tax return is required for (i) a Targeted Area Loan, (ii) an Applicant who is a Qualified Veteran or (iii) a Qualified Subprime Loan refinancing.

2. The Lender performs normal loan approval or underwriting procedures.

3. The Lender may consider the MCC when determining the amount of disposable income available for the monthly house payment in order to determine the Applicant's qualification for the Loan. The Lender determines general acceptability in accordance with its own loan approval standards and applicable Fannie Mae, Freddie Mac, FHA, VA, RHS and private mortgage insurance standards and underwriting guidelines.

4. In conjunction with the Lender's regular verification process, the Lender performs reasonable investigation as to whether the MCC Program requirements have been met as required by the Code and the applicable Regulations noted in the Lender Participation Agreement and the Certificate of Lender. Lenders may verify these facts at different times and in various ways, depending upon the Lender's particular procedures for processing loans.

5. The Lender verifies that the Income Limits, Acquisition Cost Limits, and other MCC Program requirements are met.

### D. APPLICANT AND LOAN APPROVAL REQUIREMENTS—OVERVIEW

For loans involving MCCs, the conventional loan approval and underwriting standards may be modified to reflect a recognition of the MCC-derived federal income tax credit for mortgage interest in determining income, housing expense, and indebtedness ratios. The secondary mortgage market and the mortgage insurance industry have established underwriting policies for loans involving MCCs. These are available separately as policy statements from the mortgage lending industry.

The Applicant, Acquisition Cost and mortgage underwriting requirements covered in this section are incorporated in the Program Manual documents. It will be necessary for all Applicants, Lenders and other parties to the transaction to complete and sign the appropriate Program Manual documents and attest to their validity. The Lender will be required to submit certifications in which it will certify that to the best of its knowledge no material misstatements appear in the Submission Package documents. If the Lender becomes aware of misstatements, whether negligently or intentionally made, it must notify the Administrator immediately. *The Authority reserves the right to take all appropriate actions including, if any, denial or cancellation of the MCC.* The Lender should also be aware, and inform the Applicant, that both federal and State law provide for fines and criminal penalties, as well as revocation of the MCC, for misrepresentations made in connection with participation in the Program. In an attempt to

assure that Program requirements are met, an Affidavit of Applicant is required of each Applicant, and must be submitted to the Administrator.

The Lender is also responsible for supplying the Applicant with information regarding the Program and its requirements, including the Preliminary Notice of Potential Recapture Tax and Notice of Potential Recapture Tax.

Under the Program, there are no restrictions with regard to the type of mortgage vehicle the Lender uses. The Program allows the use of any mortgage instrument being generally used in the marketplace and places no restrictions on Loan term or amortization methods. Notwithstanding anything herein to the contrary, the Loan to which the MCC relates must have a rate of interest that is fixed to maturity.

#### E. APPLICANT ELIGIBILITY REQUIREMENTS

Similar to any normal mortgage loan, the Applicant must meet the credit and underwriting criteria established by the participating Lender providing the Loan. Based on relevant federal and State regulations, Applicants must also meet the following requirements specific to MCCs:

1. *Three-year No Prior Home Ownership Requirement.* Except for situations in which an MCC application is being made (i) for a residence in a Targeted Area, (ii) with respect to any Applicant who is a Qualified Veteran, or (iii) with respect to any Applicant who is refinancing a Qualified Subprime Loan, the Applicant who will become an MCC holder may not have had an Ownership interest in a Principal Residence at any time during the preceding three years ending on the date the MCC is issued. The Lender must obtain from the Applicant an Affidavit to the effect that the Applicant had no Ownership interest in a Principal Residence at any time during the three-year period prior to the date of which the MCC is issued unless it meets one of the exceptions listed above. This must be verified by the Lender through request for, and examination of, the Applicant's federal income tax returns for the preceding three years to determine whether the Applicant has claimed a deduction for interest or taxes on property which was the Applicant's Principal Residence.

*The three year requirement does not have to be met if the Residence for which a loan application is being made (i) is located in a Targeted Area, (ii) relates to an Applicant who is a Qualified Veteran, or (iii) is the subject of a refinancing by the Applicant of a Qualified Subprime Loan. (A list of geographical areas which comprise the Targeted Areas in the Eligible Loan Area is attached as Exhibit E). The Lender must clearly designate MCC applications involving Targeted Area Residences where appropriate in the MCC documents.*

If none of the above exceptions applies, to meet the prior home ownership restriction requirement, the Applicant must complete and sign the Affidavit of Applicant and provide the last three years of federal income tax returns (or acceptable alternate exhibits - see below) attached to the Tax Return Affidavit. In lieu of actual copies of

returns, Applicants who filed either IRS Form 1040A or 1040EZ may substitute an original letter from the Internal Revenue Service stating the type of return filed by the Applicant for each tax year, the Applicant's filing status and adjusted gross income. To summarize this procedure as it applies to different cases:

(a) If the Applicant can produce copies of signed IRS Form 1040A, 1040EZ or 1040 returns for the last three years which show no deductions of interest or taxes for a Principal Residence, these forms must be submitted to the Lender and forwarded to the Administrator with the Tax Return Affidavit.

(b) In the event the Applicant has filed the IRS Form 1040A or 1040EZ for the preceding three years but cannot produce signed copies of the returns, the Applicant may substitute the original tax account information letter from the Internal Revenue Service verifying the required facts.

(c) In the event the Applicant has filed the IRS Form 1040 for the preceding three years, completes and signs the other required Affidavits, but cannot produce signed copies of the returns, the Administrator will not issue an MCC until receipt of certified tax returns (including all schedules) from the IRS, which show that the Applicant took no deduction of interest or taxes for a Principal Residence for the years in question. The certified tax returns can be requested from the IRS by the Applicant by using IRS Form 8821 or IRS Form 4506, copies of which are attached as *Exhibit D* to the Lender Participation Agreement.

(d) In the event the Applicant was not required by law to file federal income tax returns for any year during the preceding three years, it will be necessary for the Applicant to so state on the Tax Return Affidavit forwarded to the Administrator with the other Program documents.

(e) When the Loan is Closed during the period between January 1 and February 15 and the Applicant has not yet filed his or her federal income tax return for the preceding year with the IRS, the Administrator may, with respect to such year, rely on a Tax Return Affidavit stating that the Applicant is not entitled to claim deductions for taxes or interest on indebtedness with respect to property constituting his or her Principal Residence for the preceding calendar year. The Tax Return Affidavit must be forwarded to the Administrator with the Closing Affidavit and the other Program documents.

2. *Principal Residence Requirement.* The Applicant must use the Residence for which the MCC was issued as his or her Principal Residence. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement of the Applicant's intent to use the Residence as his or her Principal Residence within a reasonable time (60 days) after the MCC is issued. This Affidavit further states that the MCC holder will notify the Lender and the Administrator if the Residence ceases to be his or her Principal Residence.

3. *Income Limits.* The Anticipated Annual Family Income of an Applicant shall not exceed the following Income Limits:  
*For Carson City:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$75,720	\$77,400
Families of 3 or more persons	\$88,340	\$90,300

*For Clark County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$76,680	\$77,400
Families of 3 or more persons	\$89,460	\$90,300

*For Douglas County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$86,640	\$86,640
Families of 3 or more persons	\$101,080	\$101,080

*For Elko County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$66,500	\$79,800
Families of 3 or more persons	\$76,475	\$93,100

*For Eureka County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$64,500	\$77,400
Families of 3 or more persons	\$74,175	\$90,300

*For Humboldt County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$66,100	\$79,320
Families of 3 or more persons	\$76,015	\$92,540

*For Storey and Washoe County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$83,400	\$83,400
Families of 3 or more persons	\$97,300	\$97,300

*For Churchill, Esmeralda, Lander, Lincoln, Lyon, Mineral, Nye, Pershing and White Pine Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$64,500	\$77,400
Families of 3 or more persons	\$74,175	\$90,300

The Income Limits are subject to adjustment at any time.

4. *Purchase Price Limits.* The Acquisition Cost of the Residence may not exceed the Acquisition Cost Limits. Initially the following shall be the applicable maximum Acquisition Cost Limits, but these amounts are subject to reduction by any applicable FHA limits, or such revised amounts as may be effective from time to time, as required by the Regulations:

*For Carson City:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$358,875	\$438,625
Two Unit	\$404,206	\$494,029
Three Unit	\$491,092	\$600,223
Four Unit	\$566,644	\$692,565

*For Clark County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$360,000	\$440,000
Two Unit	\$405,473	\$495,578
Three Unit	\$492,631	\$602,104
Four Unit	\$568,421	\$694,736

*For Douglas County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$429,619	\$525,090
Two Unit	\$524,546	\$641,111
Three Unit	\$637,342	\$778,973
Four Unit	\$735,394	\$898,815

*For Elko, Eureka and Nye Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$292,500	\$357,500
Two Unit	\$329,447	\$402,658
Three Unit	\$400,263	\$489,210
Four Unit	\$461,842	\$564,473

*For Lyon County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$298,125	\$364,375
Two Unit	\$335,782	\$410,401
Three Unit	\$407,960	\$498,617
Four Unit	\$470,723	\$575,328

*For Storey and Washoe Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$429,619	\$525,090
Two Unit	\$483,887	\$591,418
Three Unit	\$587,899	\$718,544
Four Unit	\$678,346	\$829,089

*For Churchill, Esmeralda, Humboldt, Lander, Lincoln, Mineral, Pershing and White Pine Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$237,031	\$289,704
Two Unit	\$303,451	\$370,884
Three Unit	\$366,802	\$448,313
Four Unit	\$455,845	\$557,144

The determination whether the Residence meets the applicable Acquisition Cost Limits shall be made as of the date of the issuance of the MCC. These limits are subject to adjustment at any time. Any revisions of the aforesaid Acquisition Cost Limits by the Authority or the Administrator may rely upon average area purchase price limitations

published by the Treasury Department, any successor thereof, or as may be provided in Section 143 of the Code, for the statistical area in which the Residence is located. *With respect to refinancings of Qualified Subprime Loans, for purposes of applying the Acquisition Cost Limits, the market value of the Residence at the time of the Closing shall be deemed the Acquisition Cost. Market value may be determined by an appraisal of the Residence in connection with the refinancing of the related Qualified Subprime Loan or such other method acceptable to the Administrator.*

5. *Location.* The Residence must be located in the Eligible Loan Area.

6. *Revocation.* An Applicant will have his or her MCC revoked if the Applicant does not meet the requirements for a Qualified MCC. Revocation will occur upon the discovery of any material misstatement, whether negligent or fraudulent, contained in any of the documents submitted in connection with the issuance of the MCC. Revocation will occur if the Residence to which the MCC relates ceases to be Applicant's Principal Residence.

7. *Fraud.* If the Applicant or MCC holder provides a certificate, Affidavit, or any other information to the Lender, the Administrator or the Authority containing a material misstatement and such misstatement is the result of fraud, then any MCC issued shall be automatically null and void without the need for any further action on behalf of the Authority.

8. *Penalties for Misstatement.* If the Applicant makes a material misstatement in any Affidavit or certification made in connection with application for or the issuance of an MCC and such misstatement is due to negligence of the Applicant, the Applicant shall pay to the Authority or its agent a civil penalty fee of \$1,000 for each MCC with respect to which a misstatement was made. If any Applicant makes a material misstatement in any Affidavit or certification made in connection with application for or issuance of an MCC and such misstatement is due to fraud, the Applicant shall pay to the Authority or its agent a civil penalty fee of \$10,000 for each MCC with respect to which the fraudulent misstatement was made. The above-described civil penalties shall be imposed in addition to any criminal penalty.

#### F. LOAN REQUIREMENTS

1. *New Loan Requirements.* An MCC may not be issued in conjunction with the acquisition or replacement of an existing mortgage; *provided however*, an MCC may be issued in conjunction with (i) the replacement of construction period loans or bridge loans of a temporary nature and (ii) the refinancing of a Qualified Subprime Loan. The term of the construction period or bridge loans must be no longer than 24 months. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement to the effect that the Loan being made in connection with the MCC will not be used to acquire or replace an existing mortgage or that the Loan is intended to qualify as a Qualified Subprime Loan.

An MCC may not be issued in connection with any loan other than a mortgage loan with a fixed rate interest rate to maturity. Therefore, an MCC may not be issued in connection with an adjustable rate mortgage loan.

2. *Prohibited Mortgages.* An MCC may not be used in conjunction with a qualified mortgage bond or a qualified veterans' mortgage bond. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement that no portion of the financing of the Residence is provided from a qualified mortgage bond or qualified veterans' mortgage bond.

3. *No Interest Paid to Related Persons.* No interest on the Certified Indebtedness Amount of the Loan can be paid to a person who is a "related person" to the MCC holder, as the term is defined in Section 25(e)(6) of the Code and Regulations. The Lender must obtain from the Applicant, as contained in the Affidavit of Applicant, a statement that a "related person" does not have, and is not expected to have, an interest as a creditor in the Loan.

4. *Transferability.* If the Loan is assumed by a new purchaser, the MCC may be transferable under certain circumstances:

(a) The transferee must demonstrate that he or she has assumed the liability for the remaining balance of the Loan; and

(b) The transferee must meet all of the requirements imposed on any Applicant for issuance of an MCC outlined in this Program Manual, as well as any additional federal, State or Authority requirements in existence at the time the transferee applies for an MCC.

#### G. LOAN CLOSING AND SUBMISSION OF FINAL MCC PROGRAM DOCUMENTS

1. Lender confirms that the MCC Commitment Letter has not expired and closes the Loan in accordance with its customary procedures.

2. Lender provides the Applicant with the Notice of Potential Recapture Tax which must be signed by the Applicant at or prior to Closing of the Loan.

3. Either Lender or the closing agent submits to the Administrator a completed and executed Submission Package (see the MCC Submission Cover Sheet and the list of Submission Package exhibits).

4. The Submission Package includes all of the executed certifications and Affidavits noted therein. Each document must be complete and signed as indicated. Original documents should be sent to the Administrator, except as otherwise indicated. The eligibility of an Applicant shall be determined by Lender. Lender must review the Submission Package and related documents to determine their completeness in accordance with the terms of this Program Manual. Reasonable efforts should be undertaken to verify the information given, either independently or concurrently with underwriting procedures.

5. The Submission Package will specifically include the following documents and payments:

- (a) The Reaffirmation of Applicant, duly executed by the Applicant;
- (b) The Tax Return Affidavit, with the required attachments, duly executed by the Applicant;
- (c) The Affidavit of Seller certifying the Acquisition Cost of the Residence and certain other matters, unless the Applicant is obtaining a Loan to refinance a Qualified Subprime Loan;
- (d) The Certificate of Lender certifying that the Lender has performed a reasonable investigation to make the required determinations. Further, by its submission the Lender certifies that all Program eligibility requirements have been met, and that the Loan fees are reasonable relative to other loans not associated with an MCC program;
- (e) The Closing Affidavit executed by the escrow or closing agent attesting to the fact that the Loan was closed, and stating the final mortgage Loan amount;
- (f) The Notice of Potential Recapture Tax duly executed by the Applicant; and
- (g) The MCC Program Participation Fee collected by the Lender from the Applicant at Closing.

6. ALL DOCUMENTS AND THE FEE MUST BE SUBMITTED TO THE ADMINISTRATOR BY THE EARLIER OF 15 DAYS AFTER THE CLOSING DATE OR 15 DAYS AFTER THE MCC COMMITMENT LETTER EXPIRATION DATE, OTHERWISE THE ADMINISTRATOR SHALL, IN ITS SOLE DISCRETION, EITHER CHARGE THE LENDER AND THE LENDER SHALL PAY A LATE SUBMISSION FEE OR REVOKE THE MCC COMMITMENT LETTER AND THE RELATED MCC.

7. SUBMISSION BY THE LENDER OF AN INCOMPLETE SUBMISSION PACKAGE, INCLUDING SUBMISSION OF DOCUMENTS NOT FULLY COMPLETED, WILL RESULT IN THE REJECTION OF THE PACKAGE BY THE ADMINISTRATOR AND MAY SUBJECT THE LENDER TO THE ASSESSMENT OF A RESUBMISSION FEE.

#### H. ISSUANCE OF MCC

Administrator confirms, based on documentation submitted by Lender, the completion of the Applicant's file, that the MCC Commitment Letter was exercised, that the Loan was Closed as evidenced by the Submission Package, that the Applicant has met the requirements set forth in the Program Documents for issuance of an MCC and the Administrator then forwards to the Applicant an executed Mortgage Credit Certificate dated as of the Closing Date of the Loan. A copy of the MCC is forwarded to the Lender and a second copy is forwarded to the Authority. No MCC may be issued prior to January 14, 2009. No MCC may be issued for any Loan refinancing Qualified Subprime Loan having a Loan Closing Date after January 14, 2010, and no

MCC may be issued for any other Loan having a Closing Date after December 31, 2011, unless extended at the direction of the Authority in connection with an increase in the Certificate Limit.

I. RESUBMISSION OF MCC DOCUMENTS

If an MCC Application or Submission Package has been returned or denied by the Administrator, any resubmission, if appropriate, must include all information which the Administrator has determined necessary for reconsideration. An MCC Application or Submission Package that is being submitted a second time will be reviewed in depth and must be accompanied by an MCC Resubmission Fee of \$25 payable by check or money order to the Administrator, which MCC Resubmission Fee may not be charged to the Applicant absent a showing of the Applicant's negligence.

J. EXTENSIONS OF MCC COMMITMENTS

1. An extension may be requested with regard to any MCC Commitment Letter which is outstanding if the related Loan has not Closed.

2. A two-month extension of the MCC Commitment Letter will be given upon Lender's submission of the MCC Commitment Extension Request Form and a \$50 MCC Extension Fee. Additional extensions may be granted if and when the Administrator determines that extenuating circumstances exist. Expiration dates may be subject to additional federal requirements.

K. MCC COMMITMENT CANCELLATIONS

Lender must notify the Administrator of MCC Commitment Letters to be canceled by submitting written notification and returning the original MCC Commitment Letter.

L. MCC COMMITMENT AMENDMENTS

In the event of any change in the Residence address, increase in Loan amount, or change in marital status of the Applicant which would necessitate the refiling of an amended Affidavit of Applicant and the revision of an MCC Commitment Letter, the Lender must submit a new Affidavit of Applicant with the correct information and a cover letter referring to the original MCC Commitment Letter number requesting the revision of the MCC Commitment Letter.

M. CHANGES PRIOR TO CLOSING

MCC Commitment Letters are issued subject to the condition that all the requirements necessary for issuance of an MCC shall have been met prior to issuance of the MCC. Lender must notify the Administrator of any changes that affect the conditions under which the MCC Commitment Letter was issued, including but not limited to changes in the Applicant's financial status, family size or income, the employment status of the Applicant or the Applicant's spouse, marital status or the amount of the Loan.

The MCC Commitment Letter is issued in reliance upon the Affidavit of Applicant. Lender must immediately notify Administrator in writing of any change in the circumstances upon which the MCC Commitment Letter was issued. If any change of the circumstances upon which the MCC Commitment Letter was issued occurs so that the MCC to be issued will not meet the requirements of a Qualified MCC, the MCC Commitment Letter will be revoked.

N. RECORD KEEPING AND REPORT FILING

1. For each calendar quarter the Authority issues MCCs beginning with the quarter in which the election to issue MCCs is made, the Administrator will file on behalf of the Authority reports on IRS Form 8330.

2. The Administrator will report annually to the Internal Revenue Service on behalf of the Authority in the form prescribed by Treasury Regulation § 1.25-4T(e):

(a) The number of Mortgage Credit Certificates by Income and Acquisition Cost as required by IRS reporting regulations; and

(b) The volume of Mortgage Credit Certificates by Income and Acquisition Cost as required by IRS reporting regulations.

3. For each calendar year during which it originates Loans to Applicants obtaining MCCs, each Lender must file an annual report using IRS Form 8329. Prior to the filing deadline for such report, the Administrator will assist in furnishing to the Lender the information available in its records necessary for the Lender to complete IRS Form 8329.

4. For six years, the Lender must retain:

(a) Name, address (including the address of the Residence financed with the Loan) and taxpayer identification number of each MCC holder;

(b) Name, address and taxpayer identification number of the Authority; and

(c) Date of Loan, Certified Indebtedness Amount, and Mortgage Credit Certificate Rate.

5. In January following each year during which MCCs are issued, the Administrator shall mail an IRS Form 8396 to each MCC holder of record as a reminder to properly declare the MCC tax credit for federal income tax purposes.

O. REVOCATION OF MCCs

1. Automatic revocation occurs when the Residence related to the MCC ceases to be the MCC holder's Principal Residence.

2. An MCC will be revoked if the holder ceases to meet the requirements with respect to a Qualified MCC.

3. Revocation of the MCC will occur upon the discovery of any material misstatement, whether negligent or fraudulent, by any person related to the issuance of the MCC.

P. CURING DEFECTS

In the event any defects or omissions are discovered in the Application or in any certificate or Affidavit or any document included or which should have been included in the Submission Package after an MCC has been issued, Lender and MCC holder shall be notified of such defect and given 60 days to cure same prior to revocation of the MCC.

Q. TRANSFER OF MCCS ON MORTGAGE ASSUMPTIONS

A Loan assumption associated with an MCC will be treated as a new MCC application, and the procedure required by this Program Manual must be repeated for the new Applicant. Transfer of the MCC is dependent upon the ability of the transferee to qualify under the Program requirements in effect at the time of the transfer. The Authority gives no assurance that it will approve such a transfer. Since an MCC will already be outstanding, an MCC Commitment Letter will not be issued, and all of the required Program documents will be submitted at one time with the new Submission Package. A single MCC Assumption or Refinancing Fee of \$325 will be charged by the Administrator in connection with such transfers.

R. AUDIT

The Administrator or the Program Manager may perform a random audit of Lender records to determine compliance with required Program procedures.

S. NOTICE OF MCC ELIGIBILITY DENIAL

In the event a Lender determines that an Applicant is ineligible for an MCC Commitment Letter or the issuance of an MCC, the Lender shall file a Notice of Denial of Eligibility for MCC form with the Administrator. Lender shall complete the Notice of Denial of Eligibility for MCC stating the reason Lender denied Applicant's eligibility in the MCC Program, and Administrator shall maintain a list of such prospective Applicants that were denied eligibility in the Program.

T. RECAPTURE OF MCC TAX CREDIT

In the event an MCC holder sells the Residence within nine years of issuance of the MCC, a portion of the tax credit utilized by the certificate holder may be subject to a recapture tax. See the Notice of Potential Recapture Tax for further information regarding tax credit recapture.

U. REISSUANCE OF MCC IN CASE OF REFINANCING

In the event an MCC holder refinances the Loan on the Residence, the Applicant shall submit the MCC Reissuance Application and shall pay the \$325 MCC Assumption or Refinancing Fee. The period for which the reissued certificate is in effect begins with the date the refinancing is closed. The Administrator shall reissue the MCC if: (i) the MCC is reissued to the holder of an existing MCC with respect to the same property to which the existing MCC relates; (ii) the reissued MCC entirely replaces the existing MCC (that is, the holder cannot retain the existing MCC with respect to any portion of the outstanding balance of the certified mortgage indebtedness specified on the existing MCC); (iii) the Certified Indebtedness Amount specified on the reissued MCC does not exceed the outstanding balance of the Certified Indebtedness Amount specified on the existing MCC; (iv) the reissued MCC does not increase the Mortgage Credit Certificate Rate specified in the existing MCC; (v) the Expiration Date on the newly reissued MCC is not later than the Expiration Date on the existing MCC; and (vi) the reissued MCC does not result in an increase in the tax credit that would otherwise have been allowable to the holder under the existing MCC for any taxable year. *The Lender or closing agent, as applicable, shall certify as to the outstanding balance on the Loan associated with the existing MCC so that the Administrator can make the determination required by clause (iii) of this paragraph.*

**EXHIBIT A**

**SCHEDULE OF PROGRAM FEES AND EXPENSES**

MCC Application Fee..... \$75

This fee is paid by the Applicant to the Lender at the time of submission of an Application for an MCC.

MCC Program Participation Fee..... 1% of the Loan amount, plus \$100

This fee is paid by the Applicant to the Administrator for the benefit of the Authority at the time of the Closing of the Loan. If no MCC is issued to the Applicant, the Program Participation Fee will be returned to the Applicant.

MCC Extension Fee..... \$50

This fee is paid to the Administrator by the Applicant with the Lender's request for a thirty (30) day extension of the MCC Commitment Letter. Absent such an extension, MCC Commitment Letters remain in effect for three months in the case of Existing Housing and six months in the case of New Housing. Additional extensions may be granted if extenuating circumstances exist.

MCC Resubmission Fee..... \$25

This fee is submitted to the Administrator by the Lender each time the documentation for the MCC has been rejected based upon non-compliance with the Program guidelines and such documentation is being resubmitted for consideration by the Administrator. Since the Lender is responsible for assuring that all documentation is in order prior to submission to the Administrator, this fee is chargeable to the Lender rather than to the Applicant absent a showing of the Applicant's negligence.

Late Submission Fee..... \$75

This fee is paid to the Administrator by the Lender and submitted with a Submission Package that is delivered to the Administrator after the prescribed deadlines set forth in Section G.6 hereof.

MCC Assumption or Refinancing Fee..... \$325

This fee is paid to the Administrator by the Applicant and submitted with a Submission Package prepared in connection with a Loan assumption or refinancing associated with an MCC previously issued with respect to the Loan.

Lender Participation Fee..... \$1,000

This one-time fee is to be paid by the Lender and submitted with the acceptance letter regarding participation in the Program.

**EXHIBIT B**

**NEVADA RURAL HOUSING AUTHORITY  
2009 MORTGAGE CREDIT CERTIFICATE PROGRAM**

**MCC INFORMATION GUIDE**

Nevada Rural Housing Authority (the “*Authority*”) recently implemented a Mortgage Credit Certificate Program to help make ownership of homes located within the geographic area within the State of Nevada except for the corporate limits of a city or town with a population equal to or greater than 100,000 as of the 2000 Census, which includes the Nevada Cities of Henderson, Las Vegas, North Las Vegas and Reno and the Nevada Towns of Paradise, Spring Valley and Sunrise Manor, more affordable for low to moderate income households, especially first-time buyers. A Mortgage Credit Certificate (MCC) increases a family’s disposable income by reducing its federal income tax obligations. This tax savings provides a family with more available income to qualify for a loan and meet mortgage payment requirements. In order to participate in the Program, homebuyers must meet certain eligibility requirements, purchase a home, and obtain a mortgage loan through a Lender. (Refer to the MCC Homebuyer Worksheet to see if you meet the general requirements for participation in the Program.) The Authority has appointed the Nevada Rural Housing Authority (the “*Administrator*”) to administer the Program.

**ELIGIBLE BORROWERS**

*Maximum Income Limits:* A borrower’s current anticipated annual family income must not exceed:

*For Carson City:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$75,720	\$77,400
Families of 3 or more persons	\$88,340	\$90,300

*For Clark County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$76,680	\$77,400
Families of 3 or more persons	\$89,460	\$90,300

*For Douglas County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$86,640	\$86,640
Families of 3 or more persons	\$101,080	\$101,080

*For Elko County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$66,500	\$79,800
Families of 3 or more persons	\$76,475	\$93,100

*For Eureka County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$64,500	\$77,400
Families of 3 or more persons	\$74,175	\$90,300

*For Humboldt County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$66,100	\$79,320
Families of 3 or more persons	\$76,015	\$92,540

*For Storey and Washoe County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$83,400	\$83,400
Families of 3 or more persons	\$97,300	\$97,300

*For Churchill, Esmeralda, Lander, Lincoln, Lyon, Mineral, Nye, Pershing and White Pine Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$64,500	\$77,400
Families of 3 or more persons	\$74,175	\$90,300

The Income Limits are subject to adjustment at any time.

## HOME PURCHASE PRICE LIMITATIONS

*For Carson City:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$358,875	\$438,625
Two Unit	\$404,206	\$494,029
Three Unit	\$491,092	\$600,223
Four Unit	\$566,644	\$692,565

*For Clark County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$360,000	\$440,000
Two Unit	\$405,473	\$495,578
Three Unit	\$492,631	\$602,104
Four Unit	\$568,421	\$694,736

*For Douglas County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$429,619	\$525,090
Two Unit	\$524,546	\$641,111
Three Unit	\$637,342	\$778,973
Four Unit	\$735,394	\$898,815

*For Elko, Eureka and Nye Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$292,500	\$357,500
Two Unit	\$329,447	\$402,658
Three Unit	\$400,263	\$489,210
Four Unit	\$461,842	\$564,473

*For Lyon County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$298,125	\$364,375
Two Unit	\$335,782	\$410,401
Three Unit	\$407,960	\$498,617
Four Unit	\$470,723	\$575,328

*For Storey and Washoe Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$429,619	\$525,090
Two Unit	\$483,887	\$591,418
Three Unit	\$587,899	\$718,544
Four Unit	\$678,346	\$829,089

*For Churchill, Esmeralda, Humboldt, Lander, Lincoln, Mineral, Pershing and White Pine Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$237,031	\$289,704
Two Unit	\$303,451	\$370,884
Three Unit	\$366,802	\$448,313
Four Unit	\$455,845	\$557,144

These limits are subject to adjustment at any time. *With respect to refinancings of Qualified Subprime Loans, for purposes of applying the above listed Home Purchase Price Limitations, the market value of the Residence at the time of the Closing shall be deemed the Acquisition Cost. Market value may be determined by an appraisal of the Residence in connection with the refinancing of the related Qualified Subprime Loan or such other method acceptable to the Administrator.*

#### **ELIGIBLE PROPERTY**

*General Information:* New or existing owner-occupied, single family houses, townhouses, and condominiums are eligible. The cost of the residence must not exceed the maximum purchase price limits outlined in this MCC Information Guide. A manufactured home is eligible provided it has a minimum of 400 square feet of living space and a minimum width in excess of 102 inches and which is of a kind customarily used at a fixed location. Recreational vehicles, campers and other similar vehicles are not eligible.

*Financing Terms:* The mortgage loan must be financed from sources other than tax-exempt mortgage bonds or veteran's tax-exempt mortgage bonds. The mortgage may be a conventional, FHA, VA or RHS loan and will be at prevailing market rates. The interest payable under the loan must not be paid to a person who is related to the borrower.

#### **PROGRAM DESCRIPTION**

*General Information:* An MCC is a tax credit that will reduce the federal income taxes of qualified homebuyers purchasing a qualified Residence. As a result, the MCC has the effect of reducing your mortgage payments. Applications must be made to the Lender prior to closing the Loan. The MCC may not be used in connection with the refinancing of an existing loan other than a loan that refinances a Qualified Subprime Loan as determined by the Authority.

*Benefit Amount:* If the amount of your mortgage loan is more than \$190,000, the size of your annual tax credit will be 20 percent of the annual interest paid on your mortgage loan. If the amount of your mortgage loan is \$190,000 or less, the size of your annual tax credit will be 30 percent of the annual interest paid on your mortgage loan or \$2,000, whichever is less. In any case, the credit cannot be larger than your annual federal income tax liability, after all other credits and deductions have been taken into account. MCC credits in excess of your current year tax liability may, however, be carried forward for use in the subsequent three years. For an example of how MCCs work, see the MCC Homebuyer Worksheet.

*Assumability:* The MCC can be transferred only upon issuance of a new certificate by the Administrator. The person assuming your loan will have to qualify just as a new borrower would be required to qualify under the Program and pay applicable fees.

*Tax Credit Versus Tax Deduction:* A mortgage interest deduction differs from a mortgage tax credit in a number of ways. For example, all homebuyers, regardless of income, may take a mortgage interest deduction, whereas mortgage tax credits are available only to holders of Mortgage Credit Certificates. The dollar value of a mortgage interest deduction depends upon your tax bracket. If you are in the 15 percent tax bracket, you will save 15 cents in taxes for each dollar of mortgage interest paid. With the Mortgage Credit Certificate, you will save \$1 for each \$1 of credit received. Using an MCC and itemizing your deductions on Schedule A of Form 1040 will require you to reduce your mortgage interest deduction by an amount equal to your mortgage tax credit claimed.

*Length of Benefit:* Each year, your mortgage tax credit will be calculated on the basis of 20 percent of the total interest you paid on your mortgage loan that year if the amount of your mortgage loan is more than \$190,000 or 30 percent of the total interest you paid on your mortgage loan that year if the amount of your mortgage loan is \$190,000 or less. The MCC will be in effect for the life of your mortgage loan, so long as the residence remains your principal residence.

*Recapture of Tax Credit:* Your Mortgage Credit Certificate will be subject to certain requirements imposed by federal law concerning the recapture of a portion of the mortgage tax credit benefits granted to you upon the sale of your residence within nine years from the date of purchase. In no event will the recapture tax exceed one-half of your taxable gain on the sale of your residence. A separate notice of potential recapture tax disclosure form is available from participating lenders explaining how these requirements operate.

#### APPLICATION INFORMATION

*Where to Apply:* You may apply for an MCC in person at any mortgage lending institution. You may apply for an MCC through only one lending office. Any lender who has completed and filed a Lender Participation Agreement with the Administrator is a Participating Lender. If your lender is not a Participating Lender, have them contact the Administrator for a copy of the Lender Participation Agreement. Lenders are not required to participate in this Program.

*How to Apply:* At the time of MCC application, you will need to supply the Lender with general credit information such as account numbers for loans, credit cards, and bank accounts, three years of tax returns with W 2s attached, and a check for \$75 for the MCC Application Fee. This fee is non-refundable. After you have made application, the Lender will forward your application to the Administrator. Upon receipt of a qualifying application, the Administrator will issue an MCC Commitment Letter which will reserve an MCC for three months for a loan for Existing Housing and six months for a loan for New Housing. At loan closing and upon the payment of the MCC Program Participation Fee of 1% of the mortgage loan amount, plus \$100 and submission of the required Program documents in compliance with the guidelines, the MCC will be issued directly to you. Extensions are allowed upon request and the submission of a \$50 MCC Extension Fee. MCCs cannot be transferred from one Lender to another. In the event you desire to change Lenders, the MCC application and commitment will be revoked and the application process must start over with the new Lender.

#### **FOR FURTHER INFORMATION**

*Telephone Numbers:* If possible, please direct any inquiries you may have about our Program to one of the participating Lenders. If you are not able to obtain sufficient information in this manner, you may telephone the Administrator, at (775) 887-1795. This MCC Information Guide is a general summary of the Program. Although we have attempted to ensure the accuracy of this Guide, it is subject to federal regulations, the Program documents, and to change without notice.

#### **PARTICIPATING LENDERS**

On October 15, 2008, the Authority published reasonable public notice soliciting a statement from interested mortgage lenders in accordance with the Regulations thereby enabling the Authority to maintain a list of participating lenders.

**MCC HOMEBUYER WORKSHEET<sup>1</sup>**

You may be able to receive from the NEVADA RURAL HOUSING AUTHORITY and your participating Lender a TAX CREDIT that reduces your federal income taxes dollar for dollar and still be able to receive a tax deduction for most of your home interest.

Generally, you qualify if you can answer “Yes” to the following:

	<u>Yes</u>	<u>No</u>
1. Is your Anticipated Annual Family Income:		
A. For Residence located within a Non-Targeted Area, equal to or less than the Income Limits for Non-Targeted Areas (as described in the Income Limits Table below) for the applicable area in which your residence is located; or	_____	_____
B. For a Residence located within a Targeted Area, equal to or less than the Income Limits for Targeted Areas (as described in the Income Limits Table below) for the applicable area in which your residence is located?	_____	_____
2. Have you found a single family home you would like to purchase that you will occupy:		
A. For a Residence located within a Non-Targeted Area that has an Acquisition Cost equal to or less than the Acquisition Cost for Non-Targeted Areas (as described in the Acquisition Cost Limits Table below) for the applicable area in which your residence is located; or	_____	_____
B. For a Residence located within a Targeted Area equal to or less than the Acquisition Cost for Targeted Areas (as described in the Acquisition Cost Limits Table below) for the applicable area in which your residence is located?	_____	_____
3. Is the home within the area served by the Program?	_____	_____
4. Can you produce evidence that you have not owned a home during the past three years or meet an exception to this requirement by (i) purchasing a Residence located in a Targeted Area, (ii) certifying that you are a Qualified Veteran or (iii) obtaining approval by the Administrator that you are refinancing a Qualified Supprime Loan?		
A. For a Residence located within a Non-Targeted Area, can you provide copies of tax returns for the last three years, unless you are a Qualified Veteran or you are	_____	_____

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<sup>1</sup> This sheet should be revised annually to reflect changes in purchase price and income limitations.

- refinancing a Qualified Subprime Loan; or
- B. For (i) a Residence located within a Targeted Area, (ii) \_\_\_\_\_ a Qualified Veteran, or (iii) a Residence for which a \_\_\_\_\_ Qualified Subprime Loan is being refinanced, can you provide a copy of the tax return for the year most recently ended.
5. Have you completed a loan application at a participating \_\_\_\_\_ Lender? \_\_\_\_\_

If you answered YES to all six questions, you may qualify for a Mortgage Credit Certificate.

PLEASE NOTE: Mortgage Credit Certificates cannot be used in connection with loans which are refinancing the existing balance of a loan you already have (except an interim construction loan or a loan which is refinancing a Qualified Subprime Loan) or with loans which are part of a tax-exempt mortgage bond program or a veterans' tax-exempt mortgage bond program.

CHECK TO SEE HOW MUCH MONEY YOU MIGHT BE ABLE TO PUT IN YOUR POCKET THE FIRST YEAR (not to mention each year of the remaining life of your loan!) by completing the following Mortgage Tax Credit Calculation:

*If your Loan Amount is greater than \$190,000:*

Loan Amount (example only)	\$200,000
(times % interest rate of your Loan)	x 5.5%
Approximate Annual Interest	\$11,000
(times Mortgage Credit Certificate Rate)	x .20%
Approximate Annual Mortgage Tax Credit	\$2,200

*If your Loan Amount is equal to or less than \$190,000:*

Loan Amount (example only)	\$120,000
(times % interest rate of your Loan)	x 5.5%
Approximate Annual Interest	\$6,600
(times Mortgage Credit Certificate Rate)	x .30%
Approximate Annual Mortgage Tax Credit (cannot be more than \$2,000 because Mortgage Credit Certificate Rate is greater than 20%)	\$1,980

PLUS, in addition to taking the Mortgage Tax Credit dollar for dollar from the federal income taxes you owe each year, under current tax laws you can also deduct the interest paid on your Loan each year (less an amount equal to the Mortgage Tax Credit) and your property taxes.

If you think you qualify, go to your participating Lender for further information.

Income Limits Table

*For Carson City:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$75,720	\$77,400
Families of 3 or more persons	\$88,340	\$90,300

*For Clark County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$76,680	\$77,400
Families of 3 or more persons	\$89,460	\$90,300

*For Douglas County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$86,640	\$86,640
Families of 3 or more persons	\$101,080	\$101,080

*For Elko County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$66,500	\$79,800
Families of 3 or more persons	\$76,475	\$93,100

*For Eureka County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$64,500	\$77,400
Families of 3 or more persons	\$74,175	\$90,300

*For Humboldt County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$66,100	\$79,320
Families of 3 or more persons	\$76,015	\$92,540

*For Storey and Washoe County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$83,400	\$83,400
Families of 3 or more persons	\$97,300	\$97,300

*For Churchill, Esmeralda, Lander, Lincoln, Lyon, Mineral, Nye, Pershing and White Pine Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$64,500	\$77,400
Families of 3 or more persons	\$74,175	\$90,300

The Income Limits may be subject to adjustment at any time.

#### Acquisition Cost Limits Table

*For Carson City:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$358,875	\$438,625
Two Unit	\$404,206	\$494,029
Three Unit	\$491,092	\$600,223
Four Unit	\$566,644	\$692,565

*For Clark County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$360,000	\$440,000
Two Unit	\$405,473	\$495,578
Three Unit	\$492,631	\$602,104
Four Unit	\$568,421	\$694,736

*For Douglas County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$429,619	\$525,090
Two Unit	\$524,546	\$641,111
Three Unit	\$637,342	\$778,973
Four Unit	\$735,394	\$898,815

*For Elko, Eureka and Nye Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$292,500	\$357,500
Two Unit	\$329,447	\$402,658
Three Unit	\$400,263	\$489,210
Four Unit	\$461,842	\$564,473

*For Lyon County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$298,125	\$364,375
Two Unit	\$335,782	\$410,401
Three Unit	\$407,960	\$498,617
Four Unit	\$470,723	\$575,328

*For Storey and Washoe Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$429,619	\$525,090
Two Unit	\$483,887	\$591,418
Three Unit	\$587,899	\$718,544
Four Unit	\$678,346	\$829,089

*For Churchill, Esmeralda, Humboldt, Lander, Lincoln, Mineral, Pershing and White Pine Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$237,031	\$289,704
Two Unit	\$303,451	\$370,884
Three Unit	\$366,802	\$448,313
Four Unit	\$455,845	\$557,144

These limits are subject to adjustment at any time. *With respect to refinancings of Qualified Subprime Loans, for purposes of applying the Acquisition Cost Limits, the market value of the Residence at the time of the Closing shall be deemed the Acquisition Cost. Market value may be*

*determined by an appraisal of the Residence in connection with the refinancing of the related Qualified Subprime Loan or such other method acceptable to the Administrator.*

**EXHIBIT C**

MCC Commitment No.: \_\_\_\_\_  
Expiration Date: \_\_\_\_\_  
Applicant: \_\_\_\_\_  
Lender: \_\_\_\_\_  
Loan Amount: \$ \_\_\_\_\_

**MORTGAGE CREDIT CERTIFICATE  
COMMITMENT LETTER**

TO THE ABOVE APPLICANT AND LENDER:

An Application in the form of an Affidavit of Applicant and related documentation pursuant to the Nevada Rural Housing Authority 2009 Mortgage Credit Certificate Program Manual, has been received by the undersigned Administrator and reviewed for its compliance with the terms and conditions of the Program. The Administrator has determined that the Applicant has complied with the initial requirements of the Program.

Subject to completion of the remaining terms and conditions prior to issuance of a Mortgage Credit Certificate pursuant to the Program Manual, the Administrator will execute and deliver a Mortgage Credit Certificate to the Applicant for a Loan amount not to exceed the above-indicated sum to be dated as of the date of closing the Loan. A copy of such Mortgage Credit Certificate shall be furnished to the Lender for its records, and a second copy shall be furnished to the Nevada Rural Housing Authority.

The terms of this MCC Commitment Letter are governed by the Program Manual which is incorporated herein by reference as if fully set forth herein. THIS COMMITMENT WILL EXPIRE ON THE EXPIRATION DATE INDICATED ABOVE, which is three months from the date hereof if the Loan is being made for the purchase of Existing Housing or six months from the date hereof if the Loan is being made for the purchase of New Housing. If you require an extension, an Extension Request Form must be filed prior to the Expiration Date, or you may lose this commitment.

PLEASE BE SURE to submit the Submission Package to the Administrator within 15 days of the Closing Date, unless an extension has been approved.

DATED: \_\_\_\_\_

NEVADA RURAL HOUSING AUTHORITY,  
Administrator

By  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**EXHIBIT D**

**(FORM OF CERTIFICATE)**

**NEVADA RURAL HOUSING AUTHORITY  
2009 MORTGAGE CREDIT CERTIFICATE PROGRAM**

This Mortgage Credit Certificate (this “*Certificate*”) is issued by the Nevada Rural Housing Authority (the “*Issuer*”), 3695 Desatoya Drive, Carson City Nevada 89701, Tax Identification #88-0153252, pursuant to the Issuer’s election not to issue qualified mortgage bonds, dated January 14, 2009, to:

Name(s): \_\_\_\_\_  
Taxpayer ID Nos.: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

THE MORTGAGE CREDIT CERTIFICATE RATE is \_\_\_\_\_ (20% -for loans with a Certified Indebtedness Amount greater than \$190,000) \_\_\_\_\_(30% - for loans with a Certified Indebtedness Amount equal to or less than \$190,000) [Check only one].

Pursuant to the closing certificate as of the date below, the CERTIFIED INDEBTEDNESS AMOUNT with respect to which this Certificate is issued is \$\_\_\_\_\_ (Loan amount).

The EXPIRATION DATE of this Certificate, which is also the date such indebtedness matures, is \_\_\_\_\_.

The ACQUISITION COST of the Residence with respect to which this Certificate is issued is \$\_\_\_\_\_.

The AVERAGE AREA PURCHASE PRICE applicable to the Residence is \$\_\_\_\_\_.

[The Residence with respect to which this Certificate is issued is located in a Non-Targeted Area.] or

[The Residence with respect to which this Certificate is issued is located in a Targeted Area (which includes that portion of Elko County covered by the qualified census tract #9403.00).]

The CLOSING DATE, which is the date on which the closing agreement was signed with respect to the Certified Indebtedness Amount, was \_\_\_\_\_.

The Certificate holder meets the requirements of Internal Revenue Code § 25(c)(2)(A) (iii)(IV), relating to income, and the undersigned certifies under penalties of perjury that it has determined to the best of its ability that this Certificate meets the following requirements, as

applicable, of Treasury Regulations § 1.25-3T(d), relating to residence; § 1.25-3T(e), relating to ownership interests within the three year prior period; § 1.25-3T(f), relating to acquisition cost; § 1.25-3T(g), relating to new mortgages; § 1.25-3T(i), relating to prohibited mortgages; § 1.25-3T(j), relating to particular lenders; § 1.25-3T(n), relating to interest paid to related persons; and whether the Residence in connection with which this Certificate is issued is a Residence located in a Targeted Area or Non-Targeted Area. There are no allocations to particular developments as described in § 1.25-3T(k).

This Certificate may be transferred only after issuance of a new Certificate by the Issuer.

The Administrator states, as agent of the Issuer and under penalty of perjury, that it has made the determinations described above as specified in Treasury Regulations § 1.25-6T(b)(9)-(16).

DATED: \_\_\_\_\_

NEVADA RURAL HOUSING AUTHORITY,  
Administrator

By

Name: \_\_\_\_\_

Cert. No.: \_\_\_\_\_

Title: \_\_\_\_\_

**(FORM OF CERTIFICATE)**  
**(REVERSE)**  
**TERMS AND CONDITIONS**

**FEDERAL TAX CREDIT.** This Mortgage Credit Certificate (“MCC”) entitles the holder (as named on the face of this MCC) to an annual federal tax credit equal to either (i) 20 percent of the annual interest paid on the mortgage loan described on the face of this MCC if the 20 Percent Mortgage Credit Certificate Rate is checked on the face of this MCC or (ii) the lesser of 30 percent of the annual interest paid on the mortgage loan described on the face of this MCC or \$2,000 if the 30 Percent Mortgage Credit Certificate Rate is checked on the face of this MCC. In addition, this MCC will reduce the holder’s mortgage interest deduction by an amount equal to the tax credit for the same tax year. The credit cannot be larger than the holder’s annual federal income tax liability, after all other credits and deductions have been taken into account. MCC credits in excess of current year tax liability may, however, be carried forward for use in the subsequent three years. At the time of issuance of this MCC, the filing of IRS Form 8396 is required in order to take advantage of the tax credit each year.

**PRINCIPAL RESIDENCE.** This MCC is to be used in connection with the financing of the purchase of a Residence. The Residence must be or become the holder’s “Principal Residence” within a reasonable time (not to exceed 60 days) following the date of issuance of the MCC. The “*Principal Residence*” means a Residence that, depending on all the facts and circumstances (including the good faith intent of the occupant), is occupied primarily for residential purposes. “Principal Residence” does not include a home used as an investment property or a recreational home, or a home that is used primarily in a trade or business (as evidenced by the use of more than 15 percent of the total floor space in a trade or business). Further, the holder may not claim, with respect to the Residence, any deductions pursuant to Section 280A of the Internal Revenue Code of 1986, as amended, for expense incurred in connection with the business use of a home.

**PRIOR OWNERSHIP OF A RESIDENCE.** The holder of this MCC cannot have had a present ownership interest in a Principal Residence at any time during the three-year period prior to the date of issuance of the MCC. The term “present ownership interest” includes a fee simple interest; a joint tenancy, a tenancy in common or a tenancy by the entirety; the interest of a tenant-shareholder in a cooperative; a life estate; a land contract under which possession and the burdens and benefits of ownership are transferred although legal title is not transferred until some later date; and an interest held in trust for one person by another person. A “present ownership interest” does not include a remainder interest, a lease with or without an option to purchase, mere expectancy to inherit an interest in a principal residence, the interest that a person acquires upon the execution of a real estate purchase contract, or any interest in other than a “Principal Residence” during the previous three years. This requirement is waived if the Residence is located in a Targeted Area. There is no restriction on prior ownership for purchasers of a Residence within a Targeted Area (which includes that portion of Elko County covered by the qualified census tract #9403.00). Also, this restriction is not applicable if the holder of this MCC (i) is, at the time the MCC is issued, a Qualified Veteran which is defined as a “veteran” (as defined in 38 U.S.C. Section 101) who has not previously obtained a mortgage credit certificate or a loan financed by single family mortgage revenue bonds utilizing the veteran exception set forth in Section 416 of the Tax Relief and Health Code Act of 2006 or (ii)

has refinanced a Loan to which this MCC relates that is a Qualified Subprime Loan as determined by the Administrator.

**PARTICIPATING LENDER AND LOAN ELIGIBILITY.** Financing may be sought from any Lender. The decision to make a loan is completely within the discretion of the Lender to whom the application for a mortgage loan is submitted. The Issuer plays no role in the decision to make a Loan or determining the amount of the Loan. An MCC may not be issued in connection with any loan other than a mortgage loan with a fixed rate interest rate to maturity. Therefore, an MCC may not be issued in connection with an adjustable rate mortgage loan.

**MORTGAGE REQUIREMENTS.** No MCC will be issued in connection with financing that is to be used to replace an existing mortgage on the Residence to which the holder is a party or upon which the holder is an obligor, unless the Loan to which this MCC relates is the subject of the refinancing of a Qualified Subprime Loan as determined by the Administrator, and no MCC will be issued unless, prior to the date thereof, the holder was not a party to a mortgage on the Residence (whether in the form of a deed of trust, contract for deed, conditional sales contract, pledge, agreement to hold title in escrow, or other form of owner financing), other than a construction loan, bridge loan, or other temporary initial financing having a term not exceeding 24 months, or a Qualified Subprime Loan as determined by the Administrator. In addition, no MCC will be issued if any financing for the Residence is to be obtained from a qualified mortgage bond or qualified veterans’ mortgage bond or if any person who is related to the holder has an interest as a creditor in the financing.

**OCCUPANCY OF THE RESIDENCE.** If the Residence ceases to be occupied as the holder’s “Principal Residence,” the holder will no longer be eligible for the MCC and must immediately notify the Administrator and the Lender providing the financing of this fact and the date of this event.

**INCOME LIMITS.** At the time of execution of the Loan in connection with which this MCC is issued, the holder purchasing a Residence cannot have an Anticipated Annual Family Income in excess of the following applicable Income Limits:

*For Carson City:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$75,720	\$77,400
Families of 3 or more persons	\$88,340	\$90,300

*For Clark County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$76,680	\$77,400
Families of 3 or more persons	\$89,460	\$90,300

*For Douglas County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$86,640	\$86,640
Families of 3 or more persons	\$101,080	\$101,080

*For Elko County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$66,500	\$79,800
Families of 3 or more persons	\$76,475	\$93,100

*For Eureka County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$64,500	\$77,400
Families of 3 or more persons	\$74,175	\$90,300

*For Humboldt County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$66,100	\$79,320
Families of 3 or more persons	\$76,015	\$92,540

*For Storey and Washoe County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$83,400	\$83,400
Families of 3 or more persons	\$97,300	\$97,300

*For Churchill, Esmeralda, Lander, Lincoln, Lyon, Mineral, Nye, Pershing and White Pine Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
Families of 2 or fewer persons	\$64,500	\$77,400
Families of 3 or more persons	\$74,175	\$90,300

The Income Limits are subject to adjustment at any time.

ACQUISITION COST LIMITS. The acquisition cost for the Residence being acquired in connection with which this MCC is issued cannot exceed the following applicable Acquisition Cost Limits:

*For Carson City:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$358,875	\$438,625
Two Unit	\$404,206	\$494,029
Three Unit	\$491,092	\$600,223
Four Unit	\$566,644	\$692,565

*For Clark County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$360,000	\$440,000
Two Unit	\$405,473	\$495,578
Three Unit	\$492,631	\$602,104
Four Unit	\$568,421	\$694,736

*For Douglas County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$429,619	\$525,090
Two Unit	\$524,546	\$641,111
Three Unit	\$637,342	\$778,973
Four Unit	\$735,394	\$898,815

*For Elko, Eureka and Nye Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$292,500	\$357,500
Two Unit	\$329,447	\$402,658
Three Unit	\$400,263	\$489,210
Four Unit	\$461,842	\$564,473

*For Lyon County:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$298,125	\$364,375
Two Unit	\$335,782	\$410,401
Three Unit	\$407,960	\$498,617
Four Unit	\$470,723	\$575,328

*For Storey and Washoe Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$429,619	\$525,090
Two Unit	\$483,887	\$591,418
Three Unit	\$587,899	\$718,544
Four Unit	\$678,346	\$829,089

*For Churchill, Esmeralda, Humboldt, Lander, Lincoln, Mineral, Pershing and White Pine Counties:*

	<u>Non-Targeted Areas</u>	<u>Targeted Areas</u>
One Unit	\$237,031	\$289,704
Two Unit	\$303,451	\$370,884
Three Unit	\$366,802	\$448,313
Four Unit	\$455,845	\$557,144

These limits are subject to adjustment at any time. *With respect to refinancings of Qualified Subprime Loans, for purposes of applying the Acquisition Cost Limits, the market value of the Residence at the time of the Closing shall be deemed the Acquisition Cost. Market value may be determined by an appraisal of the Residence in connection with the refinancing of the related Qualified Subprime Loan or such other method acceptable to the Administrator.*

TRANSFERABILITY. This MCC is not assumable and is transferable only upon application to the Administrator. The proposed transferee must meet all Program requirements then in effect.

COMPLIANCE WITH INTERNAL REVENUE CODE. This MCC is intended to comply with the provisions of Section 25 of the Internal Revenue Code of 1986, as amended, as well as any other applicable federal or State laws.

TAX DISCLAIMER. This material and other material given to you in connection with the MCC is not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This material may be used to support the promotion or marketing of the matter discussed herein. The taxpayer should seek advice from an independent tax advisor regarding the matter set forth herein based on the taxpayer's particular circumstances.



**EXHIBIT E**

Census Tracts

Elko County: 9403.00



DOCUMENT 1

MCC Comm.# \_\_\_\_\_  
Commitment Date: \_\_\_\_\_  
Expiration Date: \_\_\_\_\_  
[For Administrative Use Only]

Applicant: \_\_\_\_\_  
Anticipated Annual Family Income: \$ \_\_\_\_\_  
Family Size: \_\_\_\_\_  
Subject Property: \_\_\_\_\_  
Address: \_\_\_\_\_

New \_\_\_\_\_ Existing \_\_\_\_\_  
Targeted Area: \_\_\_\_\_ Yes \_\_\_\_\_ No  
Refinancing a Qualified Subprime Loan: \_\_\_\_\_ Yes \_\_\_\_\_ No  
Qualified Veteran: \_\_\_\_\_ Yes \_\_\_\_\_ No

Acquisition Cost: \_\_\_\_\_  
Loan Amount: \$ \_\_\_\_\_  
Census Tract Number: \_\_\_\_\_

Lender: \_\_\_\_\_  
Contact: \_\_\_\_\_  
Telephone: \_\_\_\_\_

AFFIDAVIT OF APPLICANT

THE STATE OF NEVADA §  
§  
COUNTY OF \_\_\_\_\_ §

The undersigned Applicant (whether one or more) under the Nevada Rural Housing Authority's (the "Authority") 2009 Mortgage Credit Certificate Program (the "Program"), the buyer(s) or owner(s) of the Residence listed above within the geographic area within the State of Nevada except for the corporate limits of a city or town with a population equal to or greater than 100,000 as of the 2000 Census, which includes the Nevada Cities of Henderson, Las Vegas, North Las Vegas and Reno and the Nevada Towns of Paradise, Spring Valley and Sunrise Manor (the "Residence"), promises, under penalty of perjury and the penalties listed here, that each of the following statements are true, correct and complete:

1. *Income.* (a) My anticipated annual family income is \$ \_\_\_\_\_. [See Worksheet One attached to this certificate.]

(b) I agree to furnish true copies of the federal income tax returns (with W-2s attached) that were signed and filed with the Internal Revenue Service for the past three years, including the most recent year, for myself and all persons who will live with me in the Residence and who will be liable on the loan. *Only tax returns for the year most recently ended need to be provided, if (i) the Residence is located in a Targeted Area (which includes that portion of Elko County covered by the qualified census tract #9403.00), (ii) you are a Qualified Veteran or (iii) the Loan*

to which the MCC relates has been determined by the Administrator to be a Qualified Subprime Loan (as described in paragraph 6 below).

I authorize the Lender listed above to review the returns to verify the statements I make here, and I authorize the Nevada Rural Housing Authority (the "Administrator"), the Program Manager, the Lender listed above, the Authority and their agents to review the returns as may be necessary to process my application for a Mortgage Credit Certificate ("MCC") under the Program.

2. *Family Size.* The total number of my family members who will live with me in the Residence, plus any other persons who are not part of my family but who will live with me in the Residence, is \_\_\_\_\_.

3. *Location of Residence.* The Residence is located at the address listed above, which is within the geographic area within the State of Nevada except for the corporate limits of a city or town with a population equal to or greater than 100,000 as of the 2000 Census, which includes the Nevada Cities of Henderson, Las Vegas, North Las Vegas and Reno and the Nevada Towns of Paradise, Spring Valley and Sunrise Manor.

4. *Acquisition Cost.* (a) For Residences not related to a refinancing of a Qualified Subprime Loan (as described in paragraph 6 below), the Residence is (check one):

- \_\_\_\_\_ a new single family residence that has never been lived in; or
- \_\_\_\_\_ a single family residence that has been lived in before.

The "Cost" of the Residence to me (as calculated on Worksheet Two attached to this affidavit) is \$\_\_\_\_\_. "Cost" includes:

- (i) everything that I paid or that someone else paid for me, either in cash or in kind, for the Residence;
- (ii) if the Residence is not finished, the reasonable cost to finish it, whether or not the cost to finish the Residence is covered by the amount I borrowed to buy the Residence; and
- (iii) if the Residence sits on leased ground, the value of the ground lease.

I understand that "Cost" does not include:

- (i) settlement and financing costs (such as title and transfer fees, title insurance, survey fees, credit reference fees, legal fees, appraisal fees, points paid by me, credit report fees, FHA insurance premiums, hazard or flood insurance premiums, abstract fees, tax service fees, recording or registration fees, escrow fees, file preparation fees and other similar costs);

(ii) the value of any services performed by me or my family members in completing the Residence;

(iii) the cost of the land the Residence sits on, if I owned the land for at least two years before the Residence was built;

(iv) amounts that I paid or that someone paid for me to the Seller or for the Seller of the Residence for property that is not a "fixture" (permanently attached to the land or to the Residence); and

(v) amounts that I paid or that someone paid for me or that the Seller of the Residence paid or that someone paid for the Seller for painting, minor repairs, floor refinishing or other fix-up expenses.

Worksheet Two attached to this certificate is an accurate calculation of the "Cost" of the Residence.

(b) For Residences related to a refinancing of a Qualified Subprime Loan (as described in paragraph 6 below), the market value of the Residence at the time of Closing is \$\_\_\_\_\_ and such market value was determined by (check one): \_\_\_\_\_ an appraisal done by a certified appraiser \_\_\_\_\_ other.

Please describe \_\_\_\_\_.

5. *Principal Residence.* (a) I intend to live in the Residence within a reasonable time (not to exceed 60 days) after closing of the Mortgage. The Residence will be my "Principal Residence". I understand that "*Principal Residence*" means the home where I live and which is used primarily as a residence (not as a business). Whether the Residence is my Principal Residence depends on my particular circumstances, including my good-faith intention to make the Residence my Principal Residence. I understand that a "Principal Residence" does not include a home used that is rented to someone else or a vacation home or a home that is used primarily in a trade or business. If 15 percent or more of a home is used in a trade or business, the home is considered used primarily in a trade or business. I agree to notify the Lender and the Administrator immediately if the Residence stops being my Principal Residence.

(b) If any part of my home is used in my trade or business, I agree that I will not claim any deductions on my income tax return for such use.

6. *Prior Ownership of a Residence.* (a) I am a Qualified Veteran defined as a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable, who has not previously obtained a mortgage credit certificate or a loan financed by single family mortgage revenue bonds utilizing the veteran exception to waive the requirement of being a first-time homebuyer as set forth in Section 416 of the Tax Relief and Health Code Act of 2006. [Cross out if not correct.]

(b) The MCC I have applied for relates to a loan that is being used to refinance a Qualified Subprime Loan defined as a adjustable rate single-family residential mortgage loan made after December 31, 2001 and before January 1, 2008 and if not refinanced would be reasonably likely to cause financial hardship to me because (please explain-attach sheet if necessary): \_\_\_\_\_

\_\_\_\_\_. [Cross out if not correct.]

(c) The Residence is located in a Targeted Area (which includes that portion of Elko County covered by the qualified census tract #9403.00). [Cross out if not correct.]

(d) (If (a), (b) and (c) immediately above are crossed out.) I have not owned a “Principal Residence” at any time during the last three years. I have not claimed any deductions on my income tax returns during the last three years for real property taxes or interest on a home. I understand that “Principal Residence” means the same thing that it did in the paragraph 5 above. I understand that owning a “Principal Residence” could include the following types of arrangements:

- (i) direct ownership;
- (ii) ownership along with someone else;
- (iii) an agreement that once a certain number of payments of a set amount were made, I would own the residence; and
- (iv) any other arrangements that would give me ownership in the future.

(e) Worksheet Three attached to this certificate is a correct list of the places I have lived during the past three (3) years.

7. *New Mortgage.* (If paragraph 6(b) is crossed out.) The Mortgage on the Residence will not be used to repay a mortgage that I owed on the Residence or that I co-signed. I have never had a mortgage on the Residence (except for a temporary construction loan within 24 months from the date of this affidavit if the Residence was recently built).

If the proceeds of the Mortgage will be used to replace a construction loan, describe the loan in the space below. Be specific about the lender, the purpose and the term of the loan.

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8. *Prohibited Mortgages.* No portion of the financing for the Residence may come from the proceeds of qualified mortgage bonds or qualified veterans’ mortgage bonds.

9. *Size of Property; Income from Property.* The lot that the Residence sits on is not larger than the normal size of lots in the area. I do not expect to make any money from the lot that the Residence sits on, such as by selling or leasing a portion of the lot.

10. *Other Owners of Residence.* Once I buy the Residence, no one will own any part of the Residence who has not signed this affidavit or another affidavit like this one.

11. *Verification.* I understand that the Lender, the Administrator, the Internal Revenue Service, the Authority or their authorized representatives will check to make sure that my statements in this affidavit are true and complete. I agree to allow the Lender, the Administrator, the Internal Revenue Service, the Authority and their authorized representatives access to any information, including my past income tax returns, the checks from my bank or other proof that I paid my rent, utility bills, work records, etc., that may be needed to check the information I have provided. I will authorize others, such as my bank or my employer, to provide the information required to confirm the statements that I have made.

12. *Program Information.* I have been furnished a copy of the MCC Information Guide and am familiar with and understand the provisions of the Program.

13. *No Other Certificate.* I have not previously received a Mortgage Credit Certificate under the Program.

14. *Lender.* I have not been required to use any particular lender to finance the purchase of the Residence in order to qualify for the Mortgage Credit Certificate Program.

15. *Transfer or Assumption.* I understand that the Mortgage Credit Certificate may not be transferred unless the Authority, through the Administrator, issues a new Mortgage Credit Certificate. If I ever want to transfer my Mortgage Credit Certificate under the transfer provisions of the Program, the person to whom my Mortgage Credit Certificate is transferred must qualify as an Applicant and must meet all of the requirements for a Mortgage Credit Certificate that are in place at the time the new certificate is to be issued.

16. *Interest to Related Persons.* No portion of the Mortgage has been made by or will be repaid to a person who is related to me.

17. *Possible Interest Recapture.* I understand, acknowledge, and agree that if I dispose of (for example, by sale) the Residence within nine (9) years from the date that the mortgage loan is originated, the Internal Revenue Service may levy a tax on me upon such disposition up to the lesser of (i) six and one-quarter percent (6.25%) of the loan amount or (ii) fifty percent (50%) of the amount of gain that I realize upon the disposition, depending upon my income level, the amount of the loan, and the number of years I hold the Residence. I further acknowledge that I have received and read the preliminary notice of potential recapture tax that describes the potential interest recapture in detail and that was provided to me by the lending institution that is providing the financing for my purchase of the Residence.

18. *Penalty.* These statements are *made under penalty of perjury*. I understand that *any material misstatement in this or any affidavit or certification* made in connection with application for or issuance of an MCC because I was negligent will result in a civil penalty of \$1,000, *revocation of any MCC issued in connection with the application* and any criminal penalty that may apply. Any material misstatement due to my fraud will result in a civil penalty of \$10,000, *revocation of any MCC issued in connection with the application* and any criminal penalty that may apply. I understand that perjury is a felony. A person who is convicted of perjury can be punished with a fine, imprisonment or both.

19. *Attachments.* All documents attached to this affidavit and marked as attachments are part of this affidavit and are true and correct and not misleading.

NAME(S) OF APPLICANT:

SIGNATURE(S) OF APPLICANT:

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SUBSCRIBED and SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public Signature

\_\_\_\_\_  
(Notary Public Printed or Typed Name)

My commission expires:\_\_\_\_\_

(PERSONALIZED SEAL)

**WORKSHEET ONE**

**ANTICIPATED ANNUAL FAMILY INCOME**

REQUIRED TO COMPLY WITH FEDERAL INCOME TAX LAWS  
RELATING TO THE MCC PROGRAM

1. The names, relationships, ages and taxpayer identification numbers of all persons intending to reside in the Residence and who will be liable on the mortgage loan are as follows:

NAMES	RELATIONSHIP TO APPLICANT	AGES	TAXPAYER ID #
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

2. The name and address of the employer(s) of each of the above persons who is 18 years of age or older and his/her monthly gross income\* is as follows:

FIRST NAME (FROM ABOVE)	EMPLOYER NAME AND ADDRESS	MONTHLY GROSS INCOME
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total Monthly Gross Income		_____
		<b>x 12 =</b>
Anticipated Annual Family Income		_____

All current or anticipated wages and salaries, over-time pay, part-time employment compensation, commissions, fees, tips and bonuses, and other compensation for personal services, before payroll deductions;

\* *“Monthly gross income”* includes all amounts that I receive or expect to receive, whether or not I receive that amount on a regular basis. See listing for examples of the types of amounts to be included.

Net income from the operation of a business or profession (without deducting expenditures for business expansion or amortization of capital indebtedness or an allowance for depreciation of capital assets);

Any interest, dividends, royalties, and other net income of any kind from any investment or from real or personal property (without deducting expenditures for amortization of capital indebtedness or an allowance for depreciation of capital assets);

All income received from social security, annuities, insurance policies, retirement funds, pensions, Department of Veterans Affairs (VA) compensation, disability, or other benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of periodic payments;

Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay;

The maximum amount of welfare assistance or any other form of public assistance available to the above persons;

Periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the Residence;

All regular pay, special pay, and allowances of a member of the Armed Forces (whether or not living in the Residence) who is the head of the household or spouse or other person whose dependents are residing in the Residence; and

Any earned income tax credit to the extent it exceeds income tax liability.

3. The Anticipated Annual Family Income for all of the above persons [the total monthly gross income from paragraph 2 above multiplied by twelve] is \$\_\_\_\_\_. [Insert this figure in the blank in paragraph 1(a) of the Affidavit of Applicant.]

4. I acknowledge that all of the above information is important to the issuance of a mortgage credit certificate. I agree to allow my employer or any other person with knowledge about my income to provide the information to the Nevada Rural Housing Authority and its authorized agents and any authorized agent of the Treasury Department or the Internal Revenue Service.

Date: \_\_\_\_\_

\_\_\_\_\_  
Applicant

\_\_\_\_\_  
Applicant

**WORKSHEET TWO**

**COST OF RESIDENCE**

1. Amount I paid to the Seller for the Residence either with cash or some other kind of payment (including any amount the Seller is required to pay as a real estate commission or loan discount points): \$ \_\_\_\_\_

2. Any other extra amount not listed in paragraph 1 that I paid or that someone else paid for me to the Seller or for the Seller for the Residence either with cash or some other kind of payment: \$ \_\_\_\_\_

3. If the Residence is not finished, the estimated cost of finishing it, including the cost of any necessary alterations or improvements. Does not include the value of service that I or members of my family will perform in finishing the Residence. \$ \_\_\_\_\_

(Describe any alterations or improvements.)

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4. If the Residence sits on leased land, the value of the lease at the time of purchase of the Residence (using a discount rate equal to the interest rate borne by the Loan). \$ \_\_\_\_\_

5. Total Cost of the Residence (Total of 1, 2, 3 and 4) [INSERT THIS FIGURE IN PARAGRAPH 4 OF THE AFFIDAVIT OF APPLICANT]: \$ \_\_\_\_\_

**WORKSHEET THREE**

**PRIOR RESIDENCES**

*[NOT REQUIRED (i) FOR RESIDENCE LOCATED IN A TARGETED AREA (WHICH INCLUDES THAT PORTION OF ELKO COUNTY COVERED BY THE QUALIFIED CENSUS TRACT #9403.00), (ii) IF YOU ARE A QUALIFIED VETERAN OR (iii) THE LOAN TO WHICH THE "MCC" RELATES HAS BEEN DETERMINED BY THE ADMINISTRATOR TO BE A QUALIFIED SUBPRIME LOAN.)]*

During the last three (3) years I have either:

(1) Rented at the following addresses for the following periods of time:

Address: \_\_\_\_\_ Landlord: \_\_\_\_\_  
City: \_\_\_\_\_ From: \_\_\_\_\_  
Phone No.: \_\_\_\_\_ To: \_\_\_\_\_  
(include area code)

Address: \_\_\_\_\_ Landlord: \_\_\_\_\_  
City: \_\_\_\_\_ From: \_\_\_\_\_  
Phone No.: \_\_\_\_\_ To: \_\_\_\_\_  
(include area code)

Address: \_\_\_\_\_ Landlord: \_\_\_\_\_  
City: \_\_\_\_\_ From: \_\_\_\_\_  
Phone No.: \_\_\_\_\_ To: \_\_\_\_\_  
(include area code)

(Indicate additional addresses on a separate sheet, if necessary)

(2) Lived with the following members of my family (without owning a "Principal Residence"\*) at the following addresses for the following periods of time:

Names: \_\_\_\_\_  
Relationship: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_  
Phone No.: \_\_\_\_\_ (include area code)  
From: \_\_\_\_\_ (Mo/Yr) To: \_\_\_\_\_ (Mo/Yr)

Names: \_\_\_\_\_  
Relationship: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_  
Phone No.: \_\_\_\_\_ (include area code)

From: \_\_\_\_\_ (Mo/Yr) To: \_\_\_\_\_ (Mo/Yr)

(Indicate additional addresses on a separate sheet, if necessary.)

\*I understand that "Principal Residence" means a home that is used primarily to live in. Whether the Residence is my Principal Residence depends upon my particular circumstances, including my good faith intention to make it my Principal Residence.

(3) Lived under some other arrangement not described in (1) or (2) above without owning a "Principal Residence" at the following addresses for the following periods of time (describe the arrangements and give the names, addresses, and telephone numbers of persons who can be contacted to verify arrangements):

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## **DOCUMENT 2**

### **PRELIMINARY NOTICE OF POTENTIAL RECAPTURE TAX**

(TO BE DELIVERED BY LENDER AT MORTGAGE LOAN APPLICATION)

Because you are receiving a mortgage credit certificate with your mortgage loan, you are receiving the benefit of a credit against your federal income tax. If you sell or otherwise dispose of your home during the next nine years, this benefit may be “recaptured.” The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain and if your income increases above specified levels.

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax. Within the next 90 days, you will be given additional information that will be needed to calculate the recapture tax.



DOCUMENT 3

MCC SUBMISSION COVER SHEET  
NEVADA RURAL HOUSING AUTHORITY

Contact: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_  
Email: \_\_\_\_\_  
Branch Manager: \_\_\_\_\_

Applicant: \_\_\_\_\_  
Taxpayer ID#: \_\_\_\_\_  
Subject Property Address: \_\_\_\_\_

Subject Property Subdivision: \_\_\_\_\_ Builder (if New Construction): \_\_\_\_\_

Targeted Area: \_\_\_\_\_ Yes \_\_\_\_\_ No

MCC Commitment Number: \_\_\_\_\_

MCC Commitment Expiration Date: \_\_\_\_\_

Loan Amount: \$ \_\_\_\_\_

Qualified Veteran: \_\_\_ Yes \_\_\_ No

Loan Maturity: \_\_\_\_\_

First Time Homebuyer: \_\_\_ Yes \_\_\_ No

Interest Rate on Loan: \_\_\_\_\_ %

E-mail: \_\_\_\_\_

Lender (Contact & Phone) \_\_\_\_\_

Lender Loan Reference Number: \_\_\_\_\_

Anticipated Annual Family Income: \$ \_\_\_\_\_

Refinancing a Qualified Subprime Loan: \_\_\_ Yes \_\_\_ No

Family Size: \_\_\_\_\_

Ethnicity of Borrower (Optional): \_\_\_\_\_

Applicable Acquisition Cost Limit

\_\_\_\_\_ \$ \_\_\_\_\_ (Non-Targeted Area)

\_\_\_\_\_ \$ \_\_\_\_\_ (Targeted Area)

Acquisition Cost: \$ \_\_\_\_\_

Type of Residence: \_\_\_\_\_ New \_\_\_\_\_ Existing

Census Tract #: \_\_\_\_\_

Closing Date: \_\_\_\_\_

Documents Submitted:

FOR COMMITMENT:

\_\_\_\_\_ Affidavit of Applicant (with Worksheets One through Three attached)

\_\_\_\_\_ Preliminary Notice of Potential Recapture Tax

\_\_\_\_\_ Tax Certificate

FOR ISSUANCE OF MCC:

\_\_\_\_\_ Reaffirmation of Applicant

\_\_\_\_\_ Tax Return Affidavit (with tax returns and W-2s or information letters attached)

\_\_\_\_\_ Affidavit of Seller

\_\_\_\_\_ Certificate of Lender

\_\_\_\_\_ Closing Affidavit (with HUD-1 form or other documents attached)

**All blanks must be completed or the documentation may be rejected by the Administrator and Lender may be subject to a Resubmission Fee.**

- \_\_\_\_\_ Notice of Potential Recapture Tax
- \_\_\_\_\_ Homebuyer Education Certificate of Completion
- FOR REISSUANCE OF MCC UPON REFINANCING:
- \_\_\_\_\_ Closing Affidavit (with HUD 1 form or other documents attached)

*As applicable, the following fee must be submitted with the MCC Submission Package which is payable by check or money order payable to the Administrator*

- \_\_\_\_\_ [\$\_\_\_\_\_] 1% Program Participation Fee (1% of Loan amount), plus \$100
- \_\_\_\_\_ [\$25] MCC Resubmission Fee
- \_\_\_\_\_ [\$50] MCC Extension Fee
- \_\_\_\_\_ [\$325] MCC Assumption or Refinancing Fee
- \_\_\_\_\_ [\$75] Late Submission Fee

ALL DOCUMENTS MUST BE SIGNED ORIGINALS OR BE CERTIFIED TRUE AND CORRECT.





**DOCUMENT 5**

MCC Comm. # \_\_\_\_\_  
[For Administrative Use Only]

Applicant: \_\_\_\_\_

Loan Amount: \$ \_\_\_\_\_

Lender: \_\_\_\_\_

Contact: \_\_\_\_\_

Telephone: \_\_\_\_\_

Subject Property Address: \_\_\_\_\_  
\_\_\_\_\_

**TAX RETURN AFFIDAVIT**

THE STATE OF NEVADA §

§

COUNTY OF \_\_\_\_\_ §

I (the "Applicant" or "Applicants"), the undersigned, promise, UNDER PENALTY OF PERJURY, and the penalties listed here, that each of the following statements about my tax returns are true, correct and complete.

1. *Tax Returns Attached.* The following information is correct for all persons intending to live with me in the Residence described on the Affidavit of Applicant:

CHECK WHICH APPLIES:

\_\_\_\_\_ The original tax account information letter from the Internal Revenue Service verifying the type of return I filed, my filing status and my adjusted gross income for the year most recently ended is attached. [The original tax account information letter may be used instead of furnishing copies of tax returns for persons who filed their Form 1040A or 1040EZ tax returns].

\_\_\_\_\_ A true copy of each federal income tax return for the prior 3 years are attached. If (i) the Residence is located in a Targeted Area (which includes that portion of Elko County covered by the qualified census tract #9403.00), (ii) you are a Qualified Veteran or (iii) the Loan to which the MCC relates has been determined by the Administrator to be a Qualified Subprime Loan, a true copy of the federal income tax return for the year most recently ended is attached.

2.\* *Tax Return Not Required.* I was not required by law to file a federal income tax return for the following year(s) and reason(s) stated below (please check the appropriate box):

	YEAR	REASON
<input type="checkbox"/>	20__	_____
		_____
<input type="checkbox"/>	20__	_____
		_____
<input type="checkbox"/>	20__	_____
		_____

3. [Reserved]

4. *Material Misstatements and Penalties.* I understand that this Affidavit will be relied upon to determine my eligibility for a Mortgage Credit Certificate. I understand that any material misstatement in this or any affidavit or certification made in connection with application for or issuance of a Mortgage Credit Certificate because I was negligent will result in a civil penalty of \$1,000, revocation of any MCC issued in connection with the application and any criminal penalty that may apply. Any material misstatement due to my fraud will result in a civil penalty of \$10,000, revocation of any MCC issued in connection with the application and any criminal penalty that may apply. I understand that perjury is a felony. A person who is convicted of perjury can be punished with a fine, imprisonment or both.

5. All documents attached to this Affidavit and marked as attachments are true and correct and not misleading.

NAME(S) OF APPLICANT(S):      SIGNATURE(S) OF APPLICANT(S)      TAXPAYER ID NUMBER(S):

\_\_\_\_\_

\_\_\_\_\_

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\* Applies only if the Applicant was *not* required by law to file federal income tax returns for any of the preceding three years.

THE STATE OF NEVADA           §  
  §  
COUNTY OF \_\_\_\_\_       §

Sworn to and subscribed before me on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Notary Public Signature

(PERSONALIZED SEAL)



**DOCUMENT 6**

MCC Comm. # \_\_\_\_\_  
[For Administrative Use Only]

Applicant: \_\_\_\_\_

Loan Amount: \$ \_\_\_\_\_

Lender: \_\_\_\_\_

Contact: \_\_\_\_\_

Telephone: \_\_\_\_\_

Subject Property Address: \_\_\_\_\_

\_\_\_\_\_

THE STATE OF NEVADA           §  
  §  
COUNTY OF \_\_\_\_\_       §

**AFFIDAVIT OF SELLER\***

The undersigned, the proposed Seller (whether one or more) of a Residence located in the Eligible Loan Area described below (the “Residence”) to the above Applicant for which a Mortgage Credit Certificate is being sought under the Nevada Rural Housing Authority’s 2009 Mortgage Credit Certificate Program, does hereby depose and say, under penalty of perjury, that each of the following statements are true, correct and complete in all respects:

1. *Location of Residence.* The Residence is located within the geographic area within the State of Nevada except for the corporate limits of a city or town with a population equal to or greater than 100,000 as of the 2000 Census, which includes the Nevada Cities of Henderson, Las Vegas, North Las Vegas and Reno and the Nevada Towns of Paradise, Spring Valley and Sunrise Manor (the “Eligible Loan Area”) at:

\_\_\_\_\_  
(Property Address).

2. *New Mortgage.* At no time prior to the date hereof has there been a mortgage on the Residence (whether in the form of a deed of trust, conditional sales contract, pledge, agreement to hold title in escrow or other form of owner financing) securing a loan to the above Applicant, the proposed purchase of the Residence, other than a construction loan, construction bridge loan or other temporary initial construction financing initially incurred for the sole purpose of acquiring the Residence and initially incurred within 24 months from the date of execution of the Loan and having an original term not exceeding 24 months.

3. *Acquisition Cost.* (a) The Residence is (check one):

\_\_\_\_\_ a newly constructed Residence which has never been occupied; or

\* This Affidavit of Seller is not necessary if the borrower is refinancing a Qualified Subprime Loan.

- \_\_\_\_\_ an existing Residence which has been occupied previously; or
- \_\_\_\_\_ incomplete or under construction; or
- \_\_\_\_\_ located on leased land.

The “*Acquisition Cost*” to the Applicant (as determined in accordance with the Worksheet attached hereto) is \$\_\_\_\_\_. I understand that the term “*Acquisition Cost*” includes: (a) all amounts paid either in cash or in kind, by the Applicant (or by a related party or for the benefit of the Applicant) to me (or to a related party or for my benefit) as consideration for the Residence; (b) if the Residence is incomplete, the reasonable cost of completing it; and (c) if the Residence is being purchased subject to a ground lease, the capitalized value of the ground rent. I understand further that “*Acquisition Cost*” does not include: (i) settlement and financing costs (such as title and transfer fees, title insurance, survey fees, credit reference fees, legal fees, appraisal fees and points paid by the Applicant (but not points paid by me) and other similar costs) but only to the extent that such amounts do not exceed the usual and reasonable settlement and financing costs for a home mortgage loan in this area; or (ii) the value of any services to be performed by the Applicant or the Applicant’s family members (include the Applicant’s brothers, sisters, spouse, lineal descendants and lineal ancestors only) to complete the Residence; or (iii) the cost of the land on which the Residence is located if the Applicant owned such land at least two years prior to the commencement of the construction of the Residence.

(b) The Worksheet attached hereto sets forth an accurate calculation of the “*Acquisition Cost*” of the Residence to the Applicant.

4. *Verification.* I understand that the above Lender, the Internal Revenue Service, the Nevada Rural Housing Authority, the Nevada Rural Housing Authority, as Administrator, or their authorized representatives, may conduct investigations in order to verify the truth and completeness of the statements set forth herein. I hereby agree to provide access to such information, including my records pertaining to the Residence, as may be necessary in connection with such verification procedure.

5. *Penalty.* The statements set forth herein are made under penalty of perjury. I understand that perjury is a felony offense punishable by fine or imprisonment or both.

NAME(S) OF SELLER:

SIGNATURE (S) OF SELLER:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

SUBSCRIBED AND SWORN to before me on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
\_\_\_\_\_  
Notary Public, State of Nevada

\_\_\_\_\_  
\_\_\_\_\_  
(Typed or Printed Name)

My Commission Expires: \_\_\_\_\_  
\_\_\_\_\_

(PERSONALIZED SEAL)

**WORKSHEET – ACQUISITION COST**

1. Amount paid for the Residence, in cash or in kind, by Applicant to the Seller (including any amount which Seller is required to pay as a real estate commission or loan discount points): \$ \_\_\_\_\_
  
2. Amount paid for the Residence, in each or in kind, by Applicant or any person related to the Applicant or by any person for the benefit of Applicant, to Seller or any person related to Seller or for Seller’s benefit (other than the amount set forth above): \$ \_\_\_\_\_
  
3. If the Residence is incomplete or unfinished the estimated cost of completing it, including the cost of any necessary alterations or improvements. (Specify the nature of such alterations or improvements):  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_ \$ \_\_\_\_\_
  
4. If the Residence is located on leased land the capitalized value (using a discount rate equal to the interest rate borne by the Loan) of the ground rent: \$ \_\_\_\_\_
  
5. Total ACQUISITION COST: \$ \_\_\_\_\_

**DOCUMENT 7**

MCC Comm. # \_\_\_\_\_  
[For Administrative Use Only]

Applicant: \_\_\_\_\_

Loan Amount: \$ \_\_\_\_\_

Lender: \_\_\_\_\_

Contact: \_\_\_\_\_

Telephone: \_\_\_\_\_

Subject Property Address: \_\_\_\_\_  
\_\_\_\_\_

**CERTIFICATE OF LENDER**

I, the undersigned authorized officer of the above Lender do hereby certify, represent and warrant to the Nevada Rural Housing Authority (“*Administrator*”) and the Nevada Rural Housing Authority (the “*Authority*”), that:

1. All terms used herein shall have the meanings attributed to them in the Program Manual for the Authority’s 2009 Mortgage Credit Certificate Program unless a different meaning is specifically defined herein or is required by the context in which the term appears.

2. I have read the Affidavit of Applicant, the Closing Affidavit, the Tax Return Affidavit and the Affidavit of Seller, if applicable (collectively, the “*Affidavits*”), which were executed in connection with the Mortgage Credit Certificate Application made by the above Applicant and submitted to the Administrator. Prior to the execution of such documents, I reviewed the contents thereof with the Applicant, and if applicable, the closing agent.

3. (a) I have reviewed the credit analysis worksheet, or similar document, prepared in connection with this Loan. The worksheet accurately reflects the information this Lender has obtained concerning the monthly gross income of the Applicant, and this Lender has complied with the requirements of the Program Manual and the Lender Participation Agreement in verifying the accuracy of such information.

(b) Based upon Worksheet One attached to the Affidavit of Applicant, to the best of the Lender’s knowledge and belief the Applicant’s Anticipated Annual Family Income is \$ \_\_\_\_\_.

4. The Residence is located within the geographic area within the State of Nevada except for the corporate limits of a city or town with a population equal to or greater than 100,000 as of the 2000 Census, which includes the Nevada Cities of Henderson, Las Vegas, North Las Vegas and Reno and the Nevada Towns of Paradise, Spring Valley and Sunrise Manor.

5. I have conducted or have caused to be conducted an investigation regarding the truth of the facts set forth in said Affidavits, the nature of which investigation is as follows:  
[DESCRIBE DETAILS OF INVESTIGATION]

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***NOTE: Paragraph 6 below shall be deleted in its entirety in the case of an Applicant (i) who is acquiring a Residence in a Targeted Area (which includes that portion of Elko County covered by the qualified census tract #9403.00), (ii) is a Qualified Veteran or (iii) who is obtaining a Loan to which the MCC relates that is refinancing a Qualified Subprime Loan as determined by the Administrator.***

6. The investigation described in paragraph 5 hereof complies with the requirements of the Program Manual and the Lender Participation Agreement, and such investigation included an examination of copies of income tax returns for the past three years provided by the Applicant which were filed with the Internal Revenue Service (or tax account information letters from the Internal Revenue Service covering such years), and the returns or information furnished indicated that during the preceding three years the Applicant did not claim deductions for taxes or interest on indebtedness with respect to the real property constituting a Principal Residence of the Applicant. In the event that the Applicant was not required to file a federal income tax return for all of the three years preceding the execution of the Loan, the Lender is to make sure that the Tax Return Affidavit executed by the Applicant states that fact.

7. No facts have come to my attention as a result of said investigation or otherwise which would cause me to disbelieve or doubt the truth of the Affidavits, or any portion of any of such Affidavits.

8. The Loan is secured by a valid lien on a Residence which to the knowledge of the Lender is occupied by or is to be occupied by the Applicant as his or her Principal Residence, is made in accordance with the Program Manual and the Lender Participation Agreement, and is not for the purpose of refinancing any existing loan on any such property (other than a construction period loan, construction bridge loan, or similar temporary initial construction financing initially incurred for the sole purpose of acquiring the Residence and initially incurred within 24 months of execution of the Loan and having an original term not exceeding 24 months or a Qualified Subprime Loan).

9. The fees and charges collected by the Lender for the Loan are in compliance with the Program Manual and the Lender Participation Agreement. The amounts collected by the Lender to reimburse the Lender for reasonable and customary charges paid or incurred for hazard or mortgage insurance premiums, survey, title insurances, appraisal fees, abstract and attorneys'

fees, recording or registration charges, escrow fees, file preparation fees, application fees, credit reports, and similar charges do not exceed the reasonable and customary amounts charged by the Lender for mortgage loans not made in connection with the Program.

10. To the best knowledge of the Lender, the Applicant has not conveyed the Applicant's right, title or interest to or in the property to any party other than a trust for the benefit of such mortgagor and/or members of such Applicant's immediate family.

11. No portion of the financing of the Residence has come from the proceeds of qualified mortgage bonds or qualified veterans' mortgage bonds.

12. The statements set forth herein are made under penalty of perjury. I understand that perjury is a felony offense punishable by fine or imprisonment or both.

13. All capitalized terms used in this Certificate of Lender and not otherwise defined herein have the meanings attributed to them in the Program Manual distributed by the Authority in connection with the Program.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_  
\_\_\_\_\_



**DOCUMENT 8**

MCC Comm. # \_\_\_\_\_  
[For Administrative Use Only]

Applicant: \_\_\_\_\_

Loan Amount: \$ \_\_\_\_\_

Lender: \_\_\_\_\_

Contact: \_\_\_\_\_

Telephone: \_\_\_\_\_

Subject Property Address: \_\_\_\_\_

\_\_\_\_\_

THE STATE OF NEVADA           §  
  §  
COUNTY OF \_\_\_\_\_       §

**CLOSING AFFIDAVIT**

The undersigned, in connection with the Nevada Rural Housing Authority's 2009 Mortgage Credit Certificate Program, hereby certifies, with respect to the closing of the loan pertaining to the residence located at \_\_\_\_\_

(Property Address)

purchased by the above Applicant, that the attached closing statements are true and correct copies of the closing statements prepared and delivered in connection with the following transaction.

SELLER/BUILDER: \_\_\_\_\_

PURCHASER: \_\_\_\_\_

LENDER: \_\_\_\_\_

PROPERTY ADDRESS: \_\_\_\_\_

\_\_\_\_\_

CLOSING DATE: \_\_\_\_\_

LOAN AMOUNT: \_\_\_\_\_

REFINANCING LOAN WITH

EXISTING MCC: \_\_\_\_\_ No           \_\_\_\_\_ YES\*

REFINANCING A QUALIFIED

SUBPRIME LOAN: \_\_\_\_\_ No           \_\_\_\_\_ YES

\* \_\_\_\_\_  
For a refinancing of a loan with an existing MCC, the Lender or Closing Agent, as applicable, certifies that \$ \_\_\_\_\_ is the outstanding balance on the loan associated with the existing MCC.

LENDER OR CLOSING AGENT

\_\_\_\_\_,  
(Name of Firm)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

THE STATE OF NEVADA       §  
  §  
COUNTY OF \_\_\_\_\_     §

SWORN TO AND SUBSCRIBED before me on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_  
Notary Public Signature

(PERSONALIZED SEAL)

## DOCUMENT 9

### NOTICE OF POTENTIAL RECAPTURE TAX

(TO BE COMPLETED BY LENDER AND DELIVERED TO APPLICANT AT THE TIME OF CLOSING OF THE LOAN)

#### A. INTRODUCTION.

1. *General.* When you sell your home you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any references in this notice to the “sale” of your home also includes other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

2. *Exceptions.* In the following situations, no recapture tax is due and you do not need to do the calculations:

(a) You dispose of your home later than nine years after you close your mortgage loan;

(b) Your home is disposed of as a result of your death;

(c) You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under Section 1041 of the Internal Revenue Code; or

(d) You dispose of your home at a loss.

B. *Maximum Recapture Tax.* The maximum recapture tax that you may be required to pay as an addition to your federal income tax is \$\_\_\_\_\_ [insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan]. This amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

C. *Actual Recapture Tax.* The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (1) 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your recapture amount determined by multiplying the following three numbers:

(i) \$\_\_\_\_\_ [insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan] (the maximum recapture tax, as described in paragraph B above),

(ii) The holding period percentage, as listed in Column 1 in the attached Table, and

- (iii) the income percentage, as described in paragraph D below.

D. *Income Percentage.* You calculate the income percentage as follows:

- (i) *Subtract* the applicable *adjusted qualifying income* in the taxable year in which you sell your home, as listed in Column 2 in the attached Table, *from* your *modified adjusted gross income* in the taxable year in which you sell your home.

Your modified adjusted gross income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your adjusted gross income must be increased by the amount of any interest that you receive or accrue in the taxable year from tax-exempt bonds that is excluded from your gross income (under Section 103 of the Internal Revenue Code); and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.

- (ii) If the amount calculated in (i) above is zero or less, you owe no recapture tax and do not need to make any more calculations. If it is \$5,000 or more, your income percentage is 100%. If it is greater than zero but less than \$5,000, it must be divided by \$5,000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is \$1,000/\$5,000, your income percentage is 20%.

E. *Limitations and Special Rules on Recapture Tax.* (1) If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.

- (2) If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence on the site of the home financed with your original subsidized mortgage loan.

- (3) In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for them based on their interests in the home.

- (4) If you repay your loan in full during the nine-year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in Section 143(m)(4)(C)(ii) of the Internal Revenue Code.

- (5) Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when you sell or otherwise dispose of your home to determine the amount, if any, of your actual recapture tax. See Section 143(m) of the Internal Revenue Code generally.

**TABLE**

DATE THAT YOU SELL YOUR HOME	(COLUMN 1) HOLDING PERIOD PERCENTAGE	(COLUMN 2) ADJUSTED QUALIFYING INCOME	
		NUMBER OF FAMILY MEMBERS LIVING IN YOUR HOME AT THE TIME OF SALE	
		2 OR LESS	3 OR MORE
Before the first anniversary of closing (See note below)	20%	\$ _____ *	\$ _____ *
On or after the first anniversary of closing, but before the second anniversary of closing	40%	\$ _____ *	\$ _____ *
On or after the second anniversary of closing, but before the third anniversary of closing	60%	\$ _____ *	\$ _____ *
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	\$ _____ *	\$ _____ *
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	\$ _____ *	\$ _____ *
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	\$ _____ *	\$ _____ *
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	\$ _____ *	\$ _____ *
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	\$ _____ *	\$ _____ *

DATE THAT YOU SELL YOUR HOME	(COLUMN 1) HOLDING PERIOD PERCENTAGE	(COLUMN 2) ADJUSTED QUALIFYING INCOME	
		NUMBER OF FAMILY MEMBERS LIVING IN YOUR HOME AT THE TIME OF SALE	
		2 OR LESS	3 OR MORE
Before the first anniversary of closing (See note below)	20%	\$ _____ *	\$ _____ *
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	\$ _____ *	\$ _____ *

NOTE: Closing means the closing date for your loan.

\* *Lender:* The actual notice to the applicant must provide the actual dollar figures for adjusted qualifying incomes for each of the years covered by the table. The entries in the first row are the highest qualifying incomes that, as of the date of the mortgage loan closing, would have met the low income requirement of Section 143(f) of the Code, taking into account whether the home financed with the subsidized mortgage loan is located in a targeted area as described in Section 143(j) of the Code (but determined without regard to Section 143(f)(3)(A) of the Code) or in a high housing cost area as described in Section 143(f)(5) of the Code. The entries in each subsequent row equal the entries in the immediately preceding row, times 1.05. The formula for determining these numbers is set forth in Section 143(m)(5) of the Code. Please refer to the "Worksheet to Compute Recapture Tax" provided by the Program Manager in order to complete Column 2.

Please acknowledge your receipt of a copy of this notice by signing below.

Signature of Applicant

\_\_\_\_\_  
\_\_\_\_\_  
Date

Signature of Applicant

\_\_\_\_\_  
\_\_\_\_\_  
Date



**DOCUMENT 10**

MCC Comm. # \_\_\_\_\_  
[For Administrative Use Only]

Applicant: \_\_\_\_\_

Loan Amount: \$ \_\_\_\_\_

Lender: \_\_\_\_\_

Contact: \_\_\_\_\_

Telephone: \_\_\_\_\_

Subject Property Address: \_\_\_\_\_  
\_\_\_\_\_

**EXTENSION REQUEST FORM**

**NEVADA RURAL HOUSING AUTHORITY**

The above Applicant and Lender are hereby requesting a thirty (30) day extension of the MCC Commitment Letter referenced above. Enclosed is a check or money order payable to the Nevada Rural Housing Authority (the "Administrator") for payment of the \$50 MCC Extension Fee.

The undersigned Applicant and Lender certify that this is the first Extension Request Form submitted concerning the above-referenced MCC Commitment Letter or, if any prior extensions have been granted, attached hereto is a description of the extenuating circumstances necessitating this request.

DATED: \_\_\_\_\_

Applicant(s): \_\_\_\_\_,  
Lender

\_\_\_\_\_  
By: \_\_\_\_\_

Signature of Applicant Name: \_\_\_\_\_

Title: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature of Applicant

THIS EXTENSION REQUEST FORM MUST BE SUBMITTED TO THE ADMINISTRATOR *PRIOR* TO THE EXPIRATION DATE OF THE MCC COMMITMENT LETTER.

**ADMINISTRATOR'S ISSUANCE OF EXTENSION**

The above-referenced MCC Commitment Letter is hereby extended to \_\_\_\_\_.

DATED: \_\_\_\_\_

NEVADA RURAL HOUSING AUTHORITY,  
Administrator

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**DOCUMENT 11**

**NOTICE OF DENIAL OF ELIGIBILITY FOR MCC**

**NEVADA RURAL HOUSING AUTHORITY**

To: Administrator  
Nevada Rural Housing Authority  
3695 Desatoya Drive  
Carson City, Nevada 89701  
Attention: MCC Administrator

Applicant: \_\_\_\_\_  
Taxpayer ID.#: \_\_\_\_\_  
Residence Address: \_\_\_\_\_

Has an MCC Commitment Letter been issued: \_\_\_\_\_ Yes \_\_\_\_\_ No  
If Yes, what is the MCC Commitment Number: MCC Commitment #: \_\_\_\_\_

In compliance with the Mortgage Credit Certificate Program Manual, this Notice of Denial of Eligibility for MCC is being provided to the Nevada Rural Housing Authority, as Administrator. The above named Applicant has been determined to be ineligible for the issuance of an MCC under the Program for the following reasons [check all that apply]:

- Loan withdrawn or will not close using an MCC.
- Applicant's current ANTICIPATED ANNUAL FAMILY INCOME exceeds the Program income limits.
- The ACQUISITION COST of the Residence exceeds the applicable Program acquisition cost limits.
- Applicant does not meet the FIRST-TIME HOMEBUYER requirement and Applicant is not a Qualified Veteran and the Residence is not located in a Targeted Area.
- Residence is not located within the ELIGIBLE LOAN AREA.
- Applicant's mortgage will be funded from a QUALIFIED MORTGAGE BOND or a QUALIFIED VETERANS' MORTGAGE BOND program.
- The loan proceeds will be used to REPLACE AN EXISTING MORTGAGE on the Residence and the loan is not refinancing a Qualified Subprime Loan as determined by the Administrator in accordance with the Program Manual.
- The SIZE OF THE PROPERTY is greater than the normal and usual size of a lot in the area and in excess of that necessary for the basic liveability of the Residence.

Applicant intends to derive INCOME FROM THE REAL ESTATE associated with the Residence.

Other. Explanation \_\_\_\_\_  
\_\_\_\_\_

This information is being tendered to the Administrator for the sole purpose of compliance with the Program Manual and is not to be used for any other purpose.

DATED: \_\_\_\_\_

\_\_\_\_\_,  
Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

\_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_

**DOCUMENT 12**

**MCC REISSUANCE APPLICATION**

**NEVADA RURAL HOUSING AUTHORITY  
2009 MORTGAGE CREDIT CERTIFICATE PROGRAM**

MCC # \_\_\_\_\_ Date \_\_\_\_\_

Name(s) of MCC Applicant(s):

\_\_\_\_\_ TIN: \_\_\_\_\_

\_\_\_\_\_ TIN: \_\_\_\_\_

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This constitutes my application for a reissued Mortgage Credit Certificate (MCC) from the Nevada Rural Housing Authority (the “*Issuer*”) in connection with the refinancing of Mortgage Loan on my Principal Residence. I acknowledge, understand, agree and certify under oath to the following:

1. I was previously issued an MCC (the “*Existing MCC*”) by the Issuer pursuant to the Nevada Rural Housing Authority’s 2009 Mortgage Credit Certificate Program on \_\_\_\_\_, 200\_\_\_. My Mortgage Credit Certificate Number is \_\_\_\_\_.

2. I have refinanced the Mortgage Loan for which the Existing MCC applied.

3. I understand that, as a result of the refinancing of my previous Mortgage Loan the federal income tax credits may not be claimed on the interest paid on the new Mortgage Loan unless my MCC is reissued.

4. I hereby certify that the Residence refinanced in connection with this application for a Reissued MCC is the same Residence financed in connection with the Existing MCC.

5. I understand that the Certified Indebtedness Amount specified on the Reissued MCC may not exceed the outstanding balance as of the date of refinancing of the Certified Indebtedness Amount of the Existing MCC.

(The Reissued MCC will be issued for a mortgage loan amount that is not greater than the amount that was required to pay off the remaining principal balance of the previous mortgage loan.)

If the principal amount of your new Mortgage Loan exceeds the amount required to pay off the previous Mortgage Loan, then only a portion of the interest on the new Mortgage Loan Amount is eligible for a tax credit.

6. I understand that the Reissued MCC will have a credit rate equal to the Existing MCC.

7. I understand that the Reissued MCC will not entitle me to take tax credits in any taxable year that exceed the Credit that would otherwise have been allowable to me with the Existing MCC.

8. My new (refinancing) Mortgage Loan closed on \_\_\_\_\_.

9. The following items have been enclosed with this MCC Reissuance Application and Affidavit:

- A. A copy of the Existing MCC.
- B. A copy of the Pay-Off Statement for the previous loan.
- C. Certified copy of the HUD-1 Settlement Statement for the new loan.
- D. A check in the amount of \$325, payable to the Nevada Rural Housing Authority, Program Administrator, as fee for processing the MCC Reissuance Application and reissuing an MCC.

10. I understand that the Reissued MCC will entirely replace the Existing MCC (that is, I cannot retain the Existing MCC with respect to any portion of the outstanding amount of the Certified Indebtedness Amount on the Existing MCC).

DATED: \_\_\_\_\_

SIGNATURE OF BORROWER(S)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_