

**Exhibit A**

**AUSTIN HOUSING FINANCE CORPORATION SERIES 2006  
MORTGAGE CREDIT CERTIFICATE PROGRAM  
Expiring December 31, 2008**

**MCC INFORMATION GUIDE**

Austin Housing Finance Corporation ("Corporation") created a Mortgage Credit Certificate Program (the "Program") for the residents of the Eligible Loan Area described below, to help make ownership of new or existing homes located in the Eligible Loan Area more affordable for low to moderate income households, especially first-time buyers. A Mortgage Credit Certificate (an "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 participating Lender. The Eligible Loan Area consists of the City of Austin, Texas. The Program is to be administered by Housing Administrators, Inc. (the "Program Administrator").

**ELIGIBLE BORROWERS**

First-time Buyer Requirement: In general, borrowers seeking financing for the purchase of a residence must be first-time buyers or not have owned a principal residence in the past three years.

Maximum Income Limits: A borrower's current gross annual household income must not exceed the following amount:

	<u>Families of 1 or 2</u>	<u>Families of 3 or more</u>
Non-targeted Area	\$71,100	\$81,765
Targeted Area	\$85,320	\$99,540

City where the residence is located: City of Austin, Texas

Homebuyer Education: A MCC applicant must complete a Homebuyer Education course provided by the Austin Housing Finance Corporation or another approved homebuyer counseling agency or secure a waiver. The applicant will receive a certificate of completion that is to be provided to the participating.

## HOME PURCHASE PRICE LIMITATION

For a borrower to receive an MCC, the purchase price of a newly constructed or existing home may not exceed \$210,375.

## ELIGIBLE PROPERTY

General Information: New and existing single-family houses, townhouses, condominiums, and manufactured housing are eligible. Duplexes, triplexes, and fourplexes are not eligible for the program. The cost of the residence must not exceed the maximum home purchase price limit outlined in this Guide.

Manufactured Homes: Manufactured homes must have at least 400 square feet of living space, a minimum width of 102 inches, and be of a type that is customarily used at a fixed location permanently affixed to real property. Recreational vehicles, campers, and other such vehicles are ineligible.

Financing Terms: The mortgage loan must be financed from sources other than tax-exempt mortgage bonds or veteran's tax-exempt revenue bonds. The mortgage may be a conventional, FHA, VA 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.

S.M.A.R.T. Housing: All newly constructed properties must be S.M.A.R.T. Housing<sup>TM</sup> approved by the City of Austin.

## PROGRAM DESCRIPTION

General Information: An MCC is a tax credit that will reduce the federal income taxes of qualified buyers purchasing a qualified residence. As a result, the MCC has the effect of reducing the effective housing mortgage cost. Applications must be made through a participating Lender to the Program Administrator prior to closing the loan. The MCC may not be used in connection with the refinancing of an existing loan.

Benefit Amount: The size of your annual tax credit will be calculated as follows: 30 percent of the annual interest paid on the mortgage loan for loans under \$115,000, 25 percent of the annual interest paid on the mortgage loan for loans between \$115,000 and \$140,000, or 20 percent of the annual interest paid on the mortgage loan for loans above \$140,000; however the maximum amount of the tax credit shall not exceed \$2,000 per year. The credit cannot be larger than the borrower's annual federal income tax liability, after all other credits and deductions have been taken into account. MCC credits in excess of the taxpayer's current year tax liability may, however, be carried forward for use in the subsequent three years

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

**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 MCC's. 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 MCC, you will save \$1 for each \$1 of credit received. Using an MCC and itemizing your deductions on IRS Form 1040, Schedule A 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 your applicable MCC percentage times the total interest you paid on your mortgage loan that year, with a maximum benefit of \$2,000 per year. 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 MCC 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 the lesser of (i) 6.25% of the highest principal balance of your mortgage or (ii) one-half of your taxable gain on the sale of your residence. A separate recapture tax disclosure form is available from participating s explaining how these requirements operate.

## APPLICATION INFORMATION

**Where to Apply:** Applications for MCC's are made at the same time as the mortgage loan application. Any who has completed and filed a Lender Participation Agreement with the Program Administrator may participate in the Program. If your is not a participating Lender, have them contact the Program Administrator or "AHFC's manager of Bond Programs for information on how to become an MCC Participating Lender.

**How to Apply:** At the time of the MCC application, and mortgage loan application at a participating Lender, you must a check or money order payable to Housing Administrators, Inc. for \$50.00. This MCC application fee is payable once the mortgage loan application has been completed and the participating Lender makes a preliminary determination that your application for the loan and MCC will be approved. The \$50.00 MCC application fee is non-refundable and non-transferable. If you subsequently elect to file a new mortgage loan application with a different Lender, a new MCC fee will be required. You will need to provide the Lender with the name of your employer and general credit information, such as account numbers for loans, credit cards and bank accounts. After you have filled out and signed the application, the Lender will forward your application to the Program Administrator. Upon receipt of a qualifying application, the Program Administrator will issue you an MCC Commitment Letter that reserves an MCC on an existing housing loan for three months or six months on a newly constructed housing loan. At loan closing and upon submission of the required Program documents in compliance with the guidelines and an MCC Issuance Fee of \$175 plus 1% of your loan amount, the MCC will be issued directly to you. Extensions are allowed upon request and the submission

of a \$25.00 MCC Extension Fee. MCC's 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 participating Lender.

#### FOR FURTHER INFORMATION

Telephone Numbers: Please direct any inquiries you may have about the Program to one of the participating Lenders or Martin Gonzalez, the Corporation's Bond Program Manager at 512/974-3103. If you need additional information, please contact the Program Administrator at Housing Administrators, Inc., 4505 Spicewood Springs Road, Suite 110, Austin, Texas 78759 or call 512/346-6506. Information Guides are available through the Lenders and the Program Administrator. This Guide is a general summary of an extremely complex and technical program. Although we have attempted to ensure the accuracy of this Guide, it is subject to federal regulations and the Program documents, and may be changed without notice.