



**Regular Board Meeting
May 15, 2012 10:00 a.m.**

- I. Call to Order (**10:00 a.m.**) **NOTE TIME**
- II. Freedom of Information Act Statement
- III. Adoption of Proposed Agenda
- IV. Regular Session
 - A. Approval of Minutes of March 27, 2012 (Chairman Union)
 - B. Homeownership Voucher Program Overview (Carl Bowen)
 - C. Bond Committee
 - 1. Resolution – Homeownership Voucher Program (Tracey Easton)
 - 2. Resolution – Mortgage Credit Certificate (Tracey Easton)
 - D. HOME Conflict of Interest Notification (Tracey Easton)
 - E. Development Division
 - 1. HOME Update (Laura Nicholson)
 - 2. Tax Credit Program Update (Laura Nicholson)
 - F. Marketing & Communications Division
 - 1. Resolution – Homeownership Month (Clayton Ingram)
 - 2. 2012 Palmetto Affordable Housing Forum Report (Clayton Ingram)
 - 3. 2012 NCSHA Legislative Conference Report (Lisa Bussey)
 - G. NFMC Audit Results (Lisa Bussey)
 - H. SC HELP Update (Matt Rivers)
 - I. Reports
 - 1. Chairman (Chairman Union)
 - 2. Executive Director (Valarie Williams)
 - 3. Deputy Director (Ed Knight)
 - 4. Marketing & HR (Cynthia Dannels)
 - 5. Finance (Richard Hutto)
- V. Other Business
- VI. Executive Session (if needed)
- VII. Next Meeting – June 19, 2012
- VIII. Adjournment



South Carolina State Housing Finance and Development Authority

300-C Outlet Pointe Blvd., Columbia, South Carolina 29210

Telephone: (803)896-9001

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T. Scott Smith
Chairman

Valarie M. Williams
Executive Director

REGULAR COMMISSION MEETING

The Board of Commissioners of the South Carolina State Housing Finance and Development Authority met on Tuesday, March 27, 2012 at approximately 10:00 a.m., at the Authority's office, 300-C Outlet Pointe Boulevard, Columbia, South Carolina.

The following Commissioners were in attendance:

Christopher N. Union, Chairman
Eddie C. Bines
Robert Mickle
John Hill
Charles E. Gardner
Ernest Magaro, Jr.
Kenneth E. Ormand, Jr.
Robert E. Thomas

Staff and Guests attending the meeting included the following:

STAFF: Valarie M. Williams, Executive Director
Ed Knight, Deputy Director
Richard Hutto, Finance
Carl Bowen, Rental Assistance & Compliance
Tracey Easton, General Counsel
Cynthia Dannels, Marketing & Human Resources
Wayne Sams, Internal Auditor
Matt Rivers, SC HELP
Laura Nicholson, Development
Claude Spurlock, Homeownership Production
Kim Spires, Investor Services
Lisa Rivers, Homeownership Servicing
Mark Phipps, Information Technology
Willie Franks, Procurement
Clayton Ingram, Marketing & Communications
Luke Lukasewski, Contract Administration
Lisa Bussey, Legislative Outreach
Enid Conner, Human Resources
Robin Carruthers, Marketing & Communications
Bonita Shropshire, Executive Assistant

GUESTS: Bob Detjen, CSG Advisors
Vickie Wilkes, S.C. Department of Disability Special Needs

Chairman Union called the meeting to order and asked Valarie Williams to read into the record the Freedom of Information Statement.

“As required by the provisions of Section 30-4-80(e) of the Code of Laws of South Carolina, notification of this meeting has been given to all persons, organizations, local news media, and other news media which have requested such notifications.”

Agenda

The Chairman presented the agenda for approval.

MOTION Commissioner Bines moved to adopt the agenda as presented. The motion received a second from Commissioner Hill. There being no discussion, all Commissioners voted in the affirmative and the motion carried.

Minutes

Chairman Union asked if there were any additions or corrections to the minutes of February 21, 2012. There being none, he called for a motion to approve the minutes.

MOTION Commissioner Hill moved to approve the minutes of February 21, 2012 as presented. The motion received a second from Commissioner Mickle. There being no discussion the motion carried.

Program Committee

Housing Trust Fund

Chairman Union called upon Laura Nicholson for the Housing Trust Fund (HTF) report. Ms. Nicholson began with a brief description and history of the HTF program. Ms. Nicholson then presented the HTF's financial report which included a budget analysis, fiscal year-to-date awards by activity, and the fiscal year cash balance analysis. She stated that the cash balance as of January 31, 2012 was \$7.7 million. Of that amount \$5 million is committed to projects previously awarded but not yet funded and \$1.6 million is for project recommendations for this quarter. With these commitments, the remaining unencumbered balance is \$649,637.81.

Ms. Nicholson concluded her report by presenting 18 project proposals with total funds requested of \$993,000. Commissioner Mickle stated that this request had been discussed at length during the Program Committee meeting and that the Committee recommends approval by the full Board.

MOTION Commissioner Mickle moved to approve the 18 projects in the amount of \$993,000. The motion received a second from Commissioner Bines. There being no further discussion, all Commissioners voted in the affirmative and the motion carried.

Group Home For The Disabled

Project No. 40712	Disabilities Board of Charleston Co.	\$75,000
Project No. 40812	Disabilities Board of Charleston Co.	\$75,000

Owner-Occupied Rehabilitation Block Grants

Project No. 39312	Allendale County ALIVE, Inc.	\$44,500
Project No. 39412	ARM of KARE	\$44,500
Project No. 39512	Brookland West-Cola Community Hsg Dev. Corp.	\$44,500
Project No. 39612	Carolina Communities Foundation, Inc.	\$66,750
Project No. 39712	Community Assistance & Mentoring Program, Inc.	\$44,500
Project No. 39812	Community Dev. & Improvement Corp.	\$44,500
Project No. 39912	East Bluff Community Organization	\$44,500
Project No. 40012	Empowered Personal Care Home Health Alliance	\$44,500
Project No. 41912	Fresh Start CDC	\$44,500
Project No. 40112	Grand Strand Housing & CDC	\$44,500
Project No. 40212	HoJac Enterprises, Inc.	\$44,500
Project No. 40312	New Covenant Community Center, Inc.	\$44,500
Project No. 40412	Rural Initiatives	\$66,750
Project No. 40512	Sumter County CDC	\$44,500
Project No. 40612	United Way of Kershaw County	\$44,500

Transitional Housing

Project No. 40912	Greer Community Outreach Center	\$131,000
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Public Housing Agency Plan

Chairman Union called upon Carl Bowen to present the Section 8 Housing Choice Voucher Program's Public Housing Agency Five Year (2011 – 2015) and the Annual Plan (FY 2013) Plan Resolution. Mr. Bowen stated that the Plan describes the Authority's mission and long-range goals and objectives for achieving its mission as it relates to the Voucher Program. He added that there are no significant operational changes proposed in the Plan and that it is the Staff's recommendation that the Board approves the Plan. Commissioner Mickle stated that the Program Committee considered the proposed Plan and recommends adoption.

MOTION Commissioner Mickle moved to adopt the Section 8 Housing Choice Voucher Program Public Housing Agency Five Year (2011-2015) and Annual (2013) Plan Resolution. The motion received a second from Commissioner Hill. There being no discussion, all Commissioners voted in the affirmative and the motion carried.

Contract Administration NOFA Update

Mr. Bowen continued with an update on the Contract Administration (CA) Notice of Funding Availability (NOFA). Mr. Bowen gave a thorough description of the CA Program and a brief explanation of the recent rebidding process of the contract agreement with the U.S. Department of Housing and Urban Development (HUD). According to Mr. Bowen, HUD reissued a NOFA on March 9, 2012 with an application deadline of June 11, 2012. Mr. Bowen reported that Staff is actively preparing a response to the NOFA with hopes of securing the contract again. The Board accepted the report as information.

Marketing and Communications**2012 Palmetto Affordable Housing Forum Report**

Chairman Union acknowledged Robin Carruthers to present the 2012 Palmetto Affordable Housing Forum Report. Ms. Carruthers began with a brief summary and description of the Forum highlighting the purpose of the Forum, to provide an opportunity for housing-related professionals to come together to collaborate and share ideas to improve and create better housing choices for all South Carolinians. Ms. Carruthers then provided a brief overview of this year's Forum to include a list of partners, number of registered participants, exhibitors, and types of sessions. The Board accepted the report as information.

SC HELP Update

Chairman Union asked Matt Rivers to give the SC HELP update. Mr. Rivers began with a brief background of how the Program came about and then provided a more thorough overview of how the Program is structured. He continued with the marketing and outreach efforts that have been done to target participants. Mr. Rivers concluded his report by providing a detailed analysis of the Program's performance compared to other states, production statistics, and committed and disbursed funds. The Board accepted the report as information.

Palmetto Heroes 2012

The Chairman asked Claude Spurlock to present Palmetto Heroes 2012. Mr. Spurlock informed the Board that because the previous Palmetto Heroes loan programs were so successful, the Authority's staff is finalizing plans to present Palmetto Heroes 2012 with \$10 million in funds. Mr. Spurlock stated that the Program will target teachers, nurses, veterans and emergency first responders again this year. He continued in his report with Program eligibility, income and house price limits, and down payment assistance options. According to Mr. Spurlock, the interest rate will be less than 4% and Staff plans to roll-out the Program in mid-April. The Board accepted the report as information.

Mortgage Credit Certificates

Mr. Spurlock was allowed to continue to present a Mortgage Credit Certificates (MCC) program proposal. According to Mr. Spurlock the MCC was set up by Congress in 1984 as a means of providing housing assistance to low and moderate income first-time homebuyers. As reported by Mr. Spurlock the MCC reduces the federal tax liability of eligible homebuyers

purchasing qualified residences thereby making more funds available for the house payments or other household expenses. Mr. Spurlock continued by going over Program eligibility and requirements as well as potential income to the Authority. Mr. Spurlock stated that Staff plans to have a final proposal for the Board's review and approval at the May board meeting.

Reports

Chairman

The Chairman stated that while he did not have an official report he thanked each of the commissioners for their willingness to serve as board members of the SC State Housing Finance and Development Authority.

Executive Director

Chairman Union called upon Valarie Williams for the Executive Director report. Ms. Williams began by introducing the Authority's financial advisor, Bob Detjen who is with CSG Advisors based out of Atlanta, Georgia. Ms. Williams continued by asking for the commissioner's assistance with selecting a date for a new commissioner orientation session. The commissioners choose the afternoon of the May 15th board meeting. She then reminded commissioners of the Statement of Economic Interests that need to be filed by April 15th with the S.C. Ethics Commission. Ms. Williams also mentioned the upcoming NCSHA Legislative Conference scheduled for April 23-25, 2012 in Washington, D.C. The Executive Director concluded her report with an in-depth discussion on the Federal Mortgage Settlement Fund.

Deputy Director

Chairman Union called on Ed Knight for the Deputy Director report. Mr. Knight began with an update on the Tax Credit Program. As reported by Mr. Knight the most recent tax credit application period yielded 82 applications, staff expects to fund between 12-14 developments, and to have awards made by early August 2012. Mr. Knight also reported that Staff remains in negotiations with the new vendor for the production and servicing software. Before concluding with his normal monthly homeownership reports, Mr. Knight notified the Board that as of March 1, 2012 all of the mortgages that were being serviced by First Citizens are now back in-house for and being serviced by the Authority's servicing department.

Marketing & HR Director

Chairman Union called on Cynthia Dannels to present the Human Resources report. Ms. Dannels began recognizing two retirees: Ms. Christine Willis and Mr. Willie Franks. Ms. Dannels continued by stating that the Marketing division's upcoming focus would be on coordinating marketing campaigns for both the SC HELP and Palmetto Heroes programs. Ms. Dannels concluded her report by informing the Board that the RFP period is over and a local advertisement agency, Adco, has been selected to help rebrand the agency; staff is in current negotiations.

Other Business

The Chairman stated that the Board needed to fill the following positions: Vice-Chairman, Secretary, and Assistant Secretary.

MOTION Chairman Union stated that in an effort to keep continuity and experience in the Vice-Chairman role, he nominated Commissioner Robert Mickle as Vice-Chairman of the Board of Commissioners. The nomination was properly accepted by Commissioner Mickle. The Chairman called for any additional nominations, there being none, the motion to select Commissioner Mickle as Vice-Chairman received a second from Commissioner Bines. There being no further discussion, all Commissioners voted in the affirmative and the motion carried.

The Chairman then called for a motion to appoint the Executive Director, Valarie Williams as the Secretary of the Board of Commissioners.

MOTION Commissioner Bines moved to appoint the Executive Director as the Secretary of the Board. The motion received a second from Commissioner Hill. There being no discussion, all Commissioners voted in the affirmative and the motion carried.

The Chairman called for a motion to appoint the Executive Assistant, Bonita Shropshire as the Assistant Secretary of the Board of Commissioners.

MOTION Commissioner Mickle moved to appoint the Executive Assistant as the Assistant Secretary of the Board. The motion received a second from Commissioner Thomas. There being no discussion, all Commissioners voted in the affirmative and the motion carried.

There being no additional business to come before the Board, Chairman Union adjourned the meeting.

Respectfully submitted,

Valarie M. Williams, Secretary

Approved: May 15, 2012

By: _____
Christopher N. Union
Chairman

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Respectfully submitted,


Valarie M. Williams, Secretary

Approved: May 15, 2012

By: 

Christopher N. Union
Chairman



Division: Housing Choice Voucher Program and Mortgage Production Department

**Subject: Consideration of the Homeownership Voucher Program for Borrowers
Resolution for Fiscal Year 2013**

The Authority administers the Housing Choice Voucher Program (Voucher Program) under an Annual Contributions Contract with the United States Department of Housing and Urban Development (HUD) in seven counties (Clarendon, Colleton, Dorchester, Fairfield, Kershaw, Lee and Lexington) of the State of South Carolina.

The Quality Housing and Work Responsibility Act of 1998 established homeownership as a special housing type under the Voucher Program, affording Public Housing Authorities the option to allow eligible families to use their Voucher Program subsidy to purchase, rather than lease a home.

After careful consideration of the barriers experienced by perspective homeowners participating in the Voucher Program, which pertain to both very-low income and low credit scores, the Housing Choice Voucher Program and the Mortgage Production Department collaborated to create a specialized program. This program was developed to address and overcome the challenges of obtaining a mortgage loan in the private market.

This program not only incorporates all HUD and Authority-specific requirements associated with participation in the Homeownership Voucher Program, but also provides Authority financing and down payment assistance, as outlined in the proposed resolution.

Since adopting the program in 2004, the Authority has assisted 34 families in achieving the dream of homeownership.

It is the staff's recommendation that the Board of Commissioners approve the resolution authorizing five (5) additional loans under the Homeownership Voucher Program for Fiscal Year 2013.



South Carolina

STATE HOUSING

Finance and Development Authority

May 15, 2012

Division: **Legal**

Subject: **Homeownership Voucher Program**

In February, 2007, the Board adopted a pilot program for the Homeownership Voucher Program. Since that time the Board has adopted continuations of the pilot. This Resolution grants approval for a maximum of five loans for fiscal year 2013 based on the qualifications provided. Staff recommends approval of this Resolution.

A RESOLUTION

ESTABLISHING A PROGRAM FOR HOMEOWNERSHIP VOUCHER PROGRAM FOR BORROWERS AND OTHER MATTERS RELATED THERETO.

WHEREAS, the Authority desires to assist potential borrowers that currently receive rental assistance under the HUD Section 8 Housing Choice Voucher Program; and

WHEREAS, the potential borrowers who meet certain requirements could be eligible for loans using repayments on existing unrestricted loans in the General Operating Fund with no mortgage insurance and additional HOME Homeownership Program Funds for forgivable Down Payment Assistance;

WHEREAS, this Board did previously adopt a pilot program at its February 20, 2007 meeting; and

WHEREAS, this Board did previously adopt continuations through Fiscal Year 2012 at subsequent meetings; and

WHEREAS, this Board does hereby desire to establish this program for a maximum of five loans through the end of fiscal year 2013.

NOW, THEREFORE, BE IT RESOLVED by the Commissioners of the South Carolina State Housing Finance and Development Authority, in meeting duly assembled:

1. In order to qualify for the program, a potential borrower must meet the following minimum requirements:
 - a. Must be a participant in good standing on the Voucher Program for a minimum of 1 year.
 - b. Must be a first time homebuyer.
 - c. Must be employed and have been continuously employed working a minimum of 30 hours per week for the previous three years.
 - d. Must have a minimum income of 10,400 per year.
 - e. Must have a middle credit score of no less than 600.
 - f. Must meet all county requirements.
 - g. Home must pass an independent Home Inspection and HUD Housing Quality Standards Inspections.
 - h. Maximum ratios for qualifying 29/36.
 - i. All accounts on credit report must be current with no delinquencies in the last 24 months.
 - j. No collection accounts on credit report with the exception that a potential borrower may have no more than \$1,000 in unpaid medical collections.
 - k. Must have no judgments, tax liens or defaulted student loans.

1. Must be referred by and have a letter of recommendation from the South Carolina State Housing Finance and Development Authority's Voucher Program Division.
2. The loans are to be funded using repayments on existing unrestricted loans in the General Operating Fund with mortgage insurance waived. The interest rate shall be 4% and forgivable Down Payment Assistance from \$5,000 to \$20,000 will be available from HOME funds and other funds normally available for down payment assistance from the Authority.
3. If Lending Partner Brokers are utilized, they shall still receive their customary release premium of 150 basis points.
4. Under the direction of the Executive Director, Authority Staff is hereby authorized to create guidelines to effect the intent of this program.
5. The program is limited to a maximum of 5 loans over the 12 month period beginning July 1, 2012 and terminating no later than June 30, 2013. The Executive Director is hereby authorized to terminate the program at any time.

DONE at Columbia this 15th day of May, 2012.

**STATE OF SOUTH CAROLINA
COUNTY OF LEXINGTON**

I, the undersigned Secretary of the South Carolina State Housing Finance and Development Authority (the "**Authority**"), **DO HEREBY CERTIFY** that the foregoing is a true, correct, and verbatim copy of a Resolution duly adopted by the Authority at a duly called meeting held on May 15, 2012.

WITNESS MY HAND this 15th day of May, 2012.

Secretary, South Carolina State Housing Finance and
Development Authority



South Carolina

STATE HOUSING

Finance and Development Authority

May 15, 2012

Division: **Legal**

Subject: **Mortgage Credit Certificates**

This Resolution grants approval for the Authority to create a Mortgage Credit Certificate Program. The Resolution includes a draft of the proposed Mortgage Credit Certificate Program Guide which may be changed consistent with the details of the program or as recommended by the Authority. Staff recommends approval of this Resolution.

A RESOLUTION

MAKING PROVISION FOR THE APPROVAL OF THE ESTABLISHMENT OF THE SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY MORTGAGE CREDIT CERTIFICATE PROGRAM AND OTHER MATTERS RELATED THERETO.

WHEREAS, the South Carolina State Housing Finance and Development Authority (the "Authority") is authorized by Chapter 13 of Title 31, Code of Laws of South Carolina, 1976, as amended (the "Act") to provide residential housing for members of the class consisting of persons and families of low income and the class consisting of persons and families of moderate to low income as defined by the Act; and

WHEREAS, the Authority is an authorized issuer of "qualified mortgage bonds" described in Section 143 of the Internal Revenue Code of 1986, as amended (the "Code") and receives volume cap under Section 146 of the code to issue such qualified mortgage bonds and other private activity bonds ("Volume Cap"); and

WHEREAS, Section 25 of the Code and the regulations promulgated thereunder permit the Authority to use its authorization to issue qualified mortgage bonds and other private activity bonds for which it has Volume Cap to issue mortgage credit certificates ("MCCs") under a qualified mortgage credit certificate program (the "MCC Program"); and

WHEREAS, the Authority desires not to issue qualified mortgage bonds from a portion of its Volume Cap so that such amounts may be used to issue MCCs in connection with the MCC Program authorized herein.

NOW, THEREFORE, BE IT RESOLVED BY THE SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY IN MEETING DULY ASSEMBLED:

1. That the Authority does hereby elect, pursuant to Section 25 of the Code, not to issue certain qualified mortgage bonds in an amount to be decided by the Chairman of the Board of Commissioners of the Authority (the "Chairman") or the Executive Director of the Authority (the "Executive Director"). The Authority currently has Volume Cap available (including any unused carryforward) to issue MCCs pursuant to the MCC Program and authorizes the Chairman or the Executive Director to allocate Volume Cap to the MCC Program established pursuant to this Resolution.

2. The Authority hereby declares its intent by this Resolution to make a "mortgage credit certificate election" as provided in Section 25 of the Code.

3. The Authority approves and authorizes the establishment of the MCC Program to issue MCCs, pursuant to the election described herein, to qualified homebuyers who incur mortgage loans for eligible purposes.

4. That the use of the Mortgage Credit Certificate Program Guide in connection with the MCC Program is hereby authorized and ratified. The form of the Mortgage Credit Certificate Program Guide is attached hereto as Exhibit A and presented at this meeting for review by the Board of Commissioners. Changes, additions, deletions or modifications may be made as is consistent the details of the MCC Program or as recommended by the Authority. The Program Guide is approved and ratified in substantially the form presented with such changes as the Chairman or the Executive Director shall approve. The Chairman and the Executive Director are hereby authorized and directed to take such action

as they deem appropriate or as is requested of either of them in connection with the use of the Mortgage Credit Certificate Program Guide.

5. That the Authority hereby authorizes and directs the Chairman and the Executive Director and each of them to take all action necessary to create and implement the MCC Program of the Authority which meets all requirements of state and federal law, including, but not limited to, determining the Volume Cap amount to be allocated to the MCC Program, filing notice of the election with the Internal Revenue Service, giving notice to the public of creation of the MCC Program, and developing and approving the Mortgage Credit Certificate Program Guide, forms and other materials relating to the implementation of the MCC Program and the issuance of MCCs.

6. The Authority and its appropriate officers, attorneys, agents, and employees are hereby authorized to do all acts and things required of them by this Resolution or consistent or desirable in connection with the requirements hereof for the full, punctual, and complete performance of all the terms, covenants and purposes of the MCC Program and this Resolution, and each Commissioner, officer, attorney, and employee is hereby authorized and directed to execute and deliver any and all papers and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated thereby and hereby and any prior acts with respect to any of the foregoing is hereby ratified, confirmed and approved.

STATE OF SOUTH CAROLINA

COUNTY OF LEXINGTON

I, the undersigned Secretary of the South Carolina State Housing Finance and Development Authority (the "Authority"), DO HEREBY CERTIFY that the foregoing is a true, correct, and verbatim copy of a Resolution duly adopted by the Authority at a duly called meeting held on May 15, 2012.

WITNESS MY HAND this 15th day of May 2012.

Secretary, South Carolina State Housing Finance
and Development Authority

EXHIBIT A

FORM OF MORTGAGE CREDIT CERTIFICATE PROGRAM GUIDE

**SOUTH CAROLINA STATE HOUSING FINANCE
AND DEVELOPMENT AUTHORITY**

**MORTGAGE CREDIT CERTIFICATE
PROGRAM GUIDE**

South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Blvd.
Columbia, South Carolina 29210
(803) 896-9001
Website: www.sha.state.sc.us

[SCSHDA LOGO]

TABLE OF CONTENTS

Page

SECTION 1 INTRODUCTION

SECTION 2 ELIGIBILITY GUIDELINES

2.1	Eligible Holder Requirements.....	4
2.2	Property Requirements.....	14
2.3	Financing Requirements	15

SECTION 3 LENDERS

3.1	Lender Qualifications.....	19
3.2	Lender Responsibilities.....	19
3.3	MCC Fees	20
3.4	Record Retention and IRS Reporting.....	20

SECTION 4 MCC PROCESSING STEPS

4.1	General.....	21
4.2	Loan Origination.....	21
4.3	Loan Submission Package	24
4.4	Loan Closing Package.....	25
4.5	Construction-to-Permanent Transactions.....	26

SECTION 5 PROGRAM COMPLIANCE

5.1	Submitting Federal Income Tax Returns	27
5.2	If Federal Income Tax Returns Are Not Available.....	27
5.3	Changes in Eligible Holder Status	28
5.4	Withdrawals of Loan Reservations	29
5.5	Penalties	29

SECTION 6 IRS/TAX INFORMATION

SECTION 7 REFINANCING REQUIREMENTS

7.1	Specific Requirements	33
7.2	How It Works.....	33
7.3	Certified Indebtedness Amount	34

SECTION 8 RECAPTURE

8.1	The Basics of Recapture	36
8.2	MCC Recapture Concept	36

Appendix A Forms for Mortgage Credit Certificate Program

Appendix B Targeted Areas

Appendix C Defined Terms

SECTION 1

INTRODUCTION

DEFINITIONS RELATING TO DEFINED TERMS CONTAINED IN THIS PROGRAM GUIDE ARE CONTAINED IN APPENDIX C—DEFINED TERMS.

The purpose of this Program Guide is to describe the MCC Program as established by the Authority and Treasury Regulations. It also will identify the respective roles of the Authority, the Lender, the Eligible Holder and the Seller. Loan processing documents and other forms are included for reference.

The MCC Program was authorized by Congress in the 1984 Tax Reform Act. The MCC Program permits Lenders to offer MCCs, subject to MCC Program guidelines, to Eligible Holders. Lenders will be given the opportunity to enter into a Lender Participation Agreement with the Authority and a list of Lenders will be maintained on the Authority's web site¹.

An MCC allows an Eligible Holder to claim a federal income tax credit. The MCC reduces an Eligible Holder's federal income taxes and, in effect, creates additional disposable cash resources for the Eligible Holder to be used for any purpose. The Authority offers a [30%] federal income tax credit amount. For example, an Eligible Holder with a loan amount of \$100,000 at an interest rate of 6% for 30 years pays approximately \$6,000 of interest in the first year. With a [30%] MCC, this Eligible Holder receives a direct federal income tax credit of \$1,800 ([30%] x \$6,000). The Eligible Holder can reduce the amount of monthly federal income tax withheld by filing a revised IRS Form W-4 Employee's Withholding Allowance Certificate in order to have more disposable cash resources to be used by the Eligible Holder for any purpose.²

The annual benefit to the Eligible Holder will be the lesser of the federal income tax credit amount or the amount of federal income taxes owed after all other credits and deductions have been taken. The maximum federal income tax credit amount is [\$2,000] annually.³ The MCC is good for the life of the loan as long as the Eligible Holder occupies the property as his/her Principal Residence.⁴ Should he/she cease to occupy the property as his/her primary Principal Residence, the MCC is revoked, and in some circumstances, a portion of the credit taken in prior years will be subject to inclusion in the taxable income of the Eligible Holder in the year the Eligible Holder ceases to occupy the property.⁵ See Section 8.

¹ Treas. Reg. §1.25-3T(j)(1).

² §3402(m)(2) permits additional withholding allowances in the case of eligible tax credits.

³ §25(a)(2)(A); Treas. Reg. §1.25-2T(d)(1)(i). The \$2,000 limit applies to a credit in excess of 20%.

⁴ §25(e)(3)(A)(ii)(II)

⁵ §§25(i), 143(m)

An MCC cannot be issued to an Eligible Holder who is assuming an existing mortgage that was not previously financed with an MCC.⁶ An MCC cannot be used with a loan that is financed by an Authority tax-exempt qualified mortgage revenue bond or a tax-exempt qualified veterans mortgage bond.⁷

The Authority was created in 1971 as a public body corporate and politic and as an agency of the State by an amendment to the Housing Authorities Law of South Carolina. The Authority was vested with the rights, powers, and duties held by local housing authorities within the State, including the right and power, among other things, to investigate housing conditions, to acquire, own, and lease personal property, to construct, reconstruct, and operate housing developments, to borrow money and issue bonds and, generally, to aid in planning and constructing low income rental housing developments. Statutes were enacted in 1974 and 1976 to expand the powers of the Authority. Such statutes, however, were declared unconstitutional by the South Carolina Supreme Court, initially because they permitted the use of State tax revenues for the payment of the Authority's bonds and subsequently because certain provisions requiring legislative approval of the Authority regulations, held unconstitutional, could not be severed from the remaining legislation. The present Act, containing no such provisions, was enacted in 1977. The South Carolina Supreme Court upheld the constitutionality of the present Act on August 10, 1978, in *Bauer v. South Carolina State Housing Authority*, 246 S.E.2d 869 (S.C. 1978). By Act 538 enacted on May 18, 1988 the Authority's name was changed to the South Carolina State Housing Finance and Development Authority.

The Authority has office hours between [8:00 a.m. and 5:00 p.m.], Monday through Friday; the telephone number is (803) 896-9001 and the FAX number is _____. The Authority mailing address for documents is:

South Carolina Housing Finance and Development Authority
300-C Outlet Pointe Blvd.
Columbia, South Carolina 29210

⁶ §25(c)(2)(A)(iii)(VI); 143(i)(1)

⁷ 25(c)(2)(A)(iv)

An initial supply of the Program Guide, which includes forms, will be provided to each Lender. Requests for additional material should be made to the applicable individual below. Additional material will involve a nominal fee.

Name	E-mail Address	Telephone	

Lenders must use the [Online Lender System (OLS)] to [review the status of an MCC]. It can be accessed via _____.

SECTION 2

ELIGIBILITY GUIDELINES⁸

Lenders must review the Eligible Holder Requirements in Section 2.1 and Property Requirements in Section 2.2 below to ensure the eligibility of a potential Eligible Holder.

2.1 Eligible Holder Requirements

- (a) The Eligible Holder must possess an Ownership Interest in and occupy the residence as a Principal Residence within 60 days after loan closing.⁹ The Eligible Holder must notify the Lender and the Authority if he/she ceases to occupy the property as the Principal Residence. At that time, the MCC will be revoked and the Eligible Holder must stop using the MCC federal income tax credit.
- (b) The Eligible Holder must not have owned a Principal Residence located within or outside the State during the three-year period ending on the date the mortgage loan is closed.¹⁰ A new or existing Manufactured Home (Mobile Home) whether or not on a permanent foundation constitutes a Principal Residence for the purpose of that test.¹¹

There are two exceptions to the requirement that the Eligible Holder must not have owned a Principal Residence located within the State during the three-year period ending on the date the mortgage loan is closed:

- (i) The Principal Residence purchased is in a Targeted Area.¹²
- (ii) The Eligible Holders are Veterans who purchase a home using the proceeds under a one-time exception allowance.¹³ The application for financing must occur before the 25th anniversary of the last date on which the Veteran left active service.

⁸ §Treas. Reg. 1.25-4T(a)(2) provides “Except as otherwise provided in this section, the requirements of this section are minimum requirements. Issuers may establish more stringent criteria for participation in a qualified mortgage credit certificate program. Thus, for example, an issuer may target 30 percent of the proceeds of an issue of mortgage credit certificates to targeted areas. Further, issuers may establish additional eligibility criteria for participation in a qualified mortgage credit certificate program. Thus, for example, issuers may impose an income limitation designed to ensure that only those individuals who could not otherwise purchase a residence will benefit from the credit.” In other words, to the extent provisions contained in this description are exactly in conformity with Section 25, the Authority can choose to impose more stringent requirements.

⁹ §25(c)(2)(A)(iii)(I); 143(c)(1) provide that a residence qualifies if it can “reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided.”

¹⁰ §§25(c)(2)(A)(iii)(II), 143(d)(1)

¹¹ §25(e)(10) provides that a single-family residence “includes any manufactured home which 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.”

¹² §§25(c)(2)(A)(iii)(II), 143(d)(2)(A).

¹³ §§25(c)(2)(A)(iii)(II), 143(d)(2)(D)

Note: Even though a Household may be exempt from the requirement that the eligible Holder must not have owned a Principal Residence located within the State during the three-year period ending on the date the mortgage loan is closed, the MCC Compliance Income and Acquisition Cost limits still apply.

- (c) The Eligible Holder must have sufficient tax liability (most recent year federal income tax returns shows tax liability of \$250 or more) in order to be eligible for the MCC federal income tax credit.¹⁴

Note: The Authority will consider an Eligible Holder with insufficient federal income tax liability, but with a substantial increase in income for the current year.

- (d) The Eligible Holder must meet Household Income limits for the MCC Program and Lenders must calculate income by using the procedures of this section. The procedures described herein are intended to test Compliance Income.¹⁵

- (i) **Compliance Income Limits**

Household Income is defined as the gross annual income of the Eligible Holder (those signing the mortgage loan) and any other person who is expected to live in the Principal Residence being financed; including income received by any Household member who is 18 years of age or older (except a full-time dependent student), even if they will not be secondarily liable on the mortgage loan.

[The income limits can be found on the [Online Lender System (OLS)] or on the website at www.sha.state.sc.us.]

- (ii) **Compliance Income Calculation for Underwriting¹⁶**

Compliance Income

The Authority will count all Household Income being earned as of the date of the loan application when underwriting a MCC. Income calculations for

¹⁴ This specific requirement is not in the Code.

¹⁵ §§25(c)(2)(A)(iii)(IV) and 143(f) require that all borrowers' income be 115% or less of the applicable median family income, as determined by the regulations prescribed under Section 8 of the United States Housing Act of 1937 (42 USC 1437(f)). Applicable median family income is the greater of the area median gross income for the area in which the residence is located and the statewide median gross income for the State in which the residence is located.

¹⁶ §25(c)(2)(A)(iii)(iv), §§143(c)(2), 24 CFR §5.609.

compliance underwriting are different from qualifying income calculations for investor (i.e., FHA, VA, USDA, Conventional) credit underwriting.¹⁷

The Authority will review copies of the verification of employment (written or verbal, most recent calendar year IRS Form W-2s, pay stubs and copies of additional income verifications to substantiate income calculations (i.e., social security award letter, retirement, National Guard or Reserve income, child support, etc.).

Note: The pay stub must clearly indicate all sources of income (i.e., shift differential, overtime, etc.) and verify total year to date earned income. If the employer does not issue pay stubs it will be necessary to obtain a copy of the latest payroll ledger on company letterhead, signed by a company official.

The Authority requires a complete copy of the most recent calendar year IRS Form W-2s. The sum of the IRS Form W-2s must match the federal income tax returns. No IRS Form W-2s are required for the two previous years. The Lender must document the employment dates for all employers represented on the tax returns for the most recent federal income tax return. Verbal verification of employment is acceptable.

Disclosure of Compliance Income

Lenders should always ask the Eligible Holders to disclose their current base income (before any payroll deductions). Current base income includes income from primary and part-time jobs at the time of application and also all other income that the Eligible Holders receive. This information must be used for compliance underwriting. All income is projected for 12 months to calculate Compliance Income (regardless of its likelihood to continue).

Other Compliance Income

The Lender should also ask the Eligible Holder for specific other income. Examples include but are not limited to the following:

- alimony annuities
- auto allowance
- bonuses
- child support

¹⁷ §143(f)(2) provides that “the family income of mortgagors, and area median gross income, shall be determined...after taking into account the regulations prescribed under Section 8 of the United States Housing Act of 1937 (or, if such program is terminated, under such program as in effect immediately before such termination.” The current HUD income regulations are contained at 24 C.F.R. 5.609.

commission
disability or death benefits
dividends
education benefits used for subsistence
interest
income received from business activities or investments
income received from trusts
inheritances (if received on a continuous basis)
insurance policies (if received on a continuous basis)
net rental income
overtime pensions
public assistance
recurring monetary contributions regularly received from persons not living in the unit
royalties severance pay
shift differential
sick pay
social security benefits
special pay and allowances of a member of the armed forces (excluding hazardous duty pay)
tips
unemployment benefits
VA compensation
workers compensation

Read further for more specific details on certain types of Compliance Income. Types of income not listed in this guide but disclosed by Eligible Holders should also be counted. Contact the Authority with specific questions.

(iii) **Compliance Income Calculation: Salaried Base Pay**

The Lender will use each Eligible Holder's verified gross annual income for calculation of Compliance Income for salaried Eligible Holders. When the verified gross income disclosed does not agree with the gross income on the Eligible Holder's pay stub, the Lender's file must be documented with the gross income that was applicable at the time of MCC application and an explanation should be in the Lender's file stating why there is a variance.

Verifications of employment are used to determine the Compliance Income of a salaried Eligible Holder. The Lender must compare the current annual salary with year-to-date earnings and with the Eligible Holder's current pay stubs to note any discrepancies. Lender should investigate discrepancies and document the file appropriately.

(iv) **Compliance Income Calculation: Self-Employment Income – More Than 2 Years**

The Lender must calculate gross annual income for self-employed Eligible Holders by averaging the reported net income for the previous two years' signed federal income tax returns and year-to-date income. Year-to-date earnings will be taken from a current, signed year-to-date (based on most recent quarter) profit and loss statement (may be self-prepared).

Example

2009 net earnings from Schedule C (12 month period)	\$ 33,000.00
2010 net earnings from Schedule C (12 month period)	\$ 38,000.00
2011 net earnings for 9 months from profit and loss statement	\$ 36,000.00
<hr/>	
2009 earnings	\$ 33,000.00
2010 earnings	+ 38,000.00
2011 year-to-date earnings	+ 36,000.00
	= \$107,000.00
<hr/>	
$\$107,000 \div 33 \text{ months} = \$3,242 \times 12 \text{ months}$	= <u>\$ 38,904.00</u>

If the sum of the self-employed income from the past two years and year-to-date equals a negative income figure, the Authority will treat the sum as a \$0 for the purpose of calculating Compliance Income.

(v) **Self-Employment Income - Less than 2 years**

If the Eligible Holder has been self-employed for less than two years, the Eligible Holder must submit to the Lender, in addition to personal federal income tax returns (including any schedules), a current, signed year-to-date (based on most recent quarter) profit and loss statement (may be self-prepared). The Lender must calculate gross annual income by averaging the reported net income from the most recent calendar year federal tax return and/or the current, signed year-to-date profit and loss statement for the period of time that the Eligible Holder has been self-employed.

If the sum of the self-employed income from the past year and year-to-date equals a negative income figure, the Authority will treat the sum as a \$0 for the purpose of calculating Compliance Income.

The partnership or corporate returns, together with all schedules, must be submitted with the MCC application if the Eligible Holder is a 25% or greater partner in a partnership or has a 25% or greater Ownership Interest in a small corporation (i.e., assets of one million dollars or less).

If the federal tax returns indicate that the Eligible Holder was self-employed, full time or part time in the prior year, the Eligible Holder must provide a signed statement indicating he/she is no longer self-employed. The statement should verify that the last date of self-employment ceased prior to the date of the application.

(vi) **Compliance Income Calculation: Part-Time Salary Income**

Part-time salary income must be included when calculating the Eligible Holder's gross annual income if the Eligible Holder is employed at a part-time job at the time of MCC application. It is considered current income.

The Lender must calculate income based on what the Eligible Holder is making at the time of MCC application if the part time employer verifies a specific hourly rate and gives the specific number of hours worked (or states the monthly amount). The Lender must ensure that year-to-date figures equal this amount. If not, the file must be documented as to the reason for the discrepancy. If the part-time employer does not state a specific hourly rate and gives the specific number of hours worked (or states the monthly amount), the Lender must average past year and year-to-date earnings and project the income on an annual basis.

Example

Part-time employer states \$7.50 per hour for 15 hours per week and the year-to-date figures verify this.

$\$7.50 \text{ hourly rate} \times 15 \text{ hours} \times 52 \text{ weeks} = \$5,850 \text{ annual income.}$

Part-time employer states \$7.50 per hour but does not state the hours worked. The date of employment was February 19, 2011, and the date of verification of employment was October 22, 2011. The year-to-date earnings were \$3,806. The number of weeks between from February 19, 2011 and October 22, 2011 is 35 weeks.

$\$3,806 \text{ year-to-date earnings} \div 35 \text{ weeks} \times 52 \text{ weeks} = \$5,655$
annual income.

(vii) Compliance Income Calculation: Part-Time Self-Employed Income

The Lender must use the self-employed income method to calculate compliance income if the Eligible Holder is self employed on a part-time basis at the time of MCC application in addition to full time salaried employment. This can be detected when the federal income tax returns are reviewed. The part time self-employment income is calculated in the same way as when the Eligible Holder is self-employed on a full time basis.

When federal income tax returns indicate a history of self-employment and the Eligible Holder indicates that he/she no longer works the self-employment job, the Lender must submit a signed statement from the Eligible Holder verifying when the self-employment ceased.

(viii) Compliance Income Calculation: Commission Income

Income for an individual earning through commissions will be calculated as it is for a self-employed Eligible Holder (past two years and year-to-date average).

Income for commissions received in addition to a base salary (or a “guaranteed” draw) is treated as “other income”. Average commissions earned during the past year and year-to-date are used to project commission income.

(ix) Compliance Income Calculation: Bonus and Overtime Income

The Lender must average past year and year-to-date bonus and/or overtime income. If the Eligible Holder was not employed full time for twelve months during the past year, the Eligible Holder’s income should be averaged using the applicable number of months.

(x) Compliance Income Calculation: Dividends and Interest Income

The Lender must average past year and year-to-date dividend and interest income.

The tax returns will indicate dividend and interest income received for the prior tax year. The Eligible Holder should furnish copies of bank statements, or other documentation to substantiate year-to-date dividend and interest income. This should be made a part of the Lender’s file.

(xi) **Compliance Income Calculation: Child Support and Alimony Income**

The Lender should request a copy of the Eligible Holder's recorded separation papers and/or divorce decree. If there are no recorded or filed copies of the divorce decree, the Lender must submit a copy of the recorded separation papers before the Authority will issue a conditional commitment approval. The Authority will review the documents to verify other income of the Eligible Holder.

The Lender must use the monthly amount of child support or alimony indicated in the recorded separation papers or divorce decree. In the event there is no recorded separation agreement or other legal agreement verifying child support, the issue of child support must be addressed by having the occupant complete the applicable questions in the Child Support Income Certification section on the **Program Certifications (MCC-014)**.

(xii) **Compliance Income Calculation: Social Security Income**

The Lender must annualize gross benefits based on the benefit letter from the Social Security Administration. Social Security benefits include payments received by adults on behalf of minors for their own support.

(xiii) **Compliance Income Calculation: Other Income Excluded**

The following types of income can be excluded in determining Compliance Income of an Eligible Holder's income eligibility for the MCC Program:¹⁸

- (A) amounts of educational scholarships paid directly to the student or to the educational institution;
- (B) amounts paid by the federal government to a Veteran for use in meeting the costs of tuition, fees, books and equipment;
- (C) amounts that are specifically for reimbursement of business and/or educational expenses;
- (D) one-time sign-on bonus;
- (E) lump sum additions to family assets, such as inheritance, insurance payments (including payments under health and accident insurance

¹⁸ 24 CFR §5.609 provides for additional exclusions, including amounts received for the care of "foster adults"; i.e., an unrelated adult, usually under a disability, as well as amounts received by an Eligible Holder serving in the armed forces for exposure to hostile fire.

and workmen's compensation), capital gains, and settlement for personal or property losses;

- (F) payments received for the care of foster children;
- (G) sporadic or irregular gifts; and
- (H) amounts that are specifically for or in reimbursement of the cost of medical expenses.

(xiv) **Compliance Income Calculation: Future Employment, Changes in Employment and/or Pay Structure**

The Lender should consult the Authority prior to submitting the underwriting file regarding future employment (e.g., full-time student not employed at time of application, but for whom an employer has promised a job position), changes in employment (e.g., Eligible Holder relocating and changing jobs), and pay structure changes (e.g. Eligible Holder is going from a commissioned job to straight salary, or part-time to full-time) for an income determination.

In the case of an Eligible Holder beginning his/her job after the date of closing, the requirements differ (see below) depending on the amount of cash reserves left after closing. In all cases, the Authority will require documentation from the new employer stating the amount of employment income and the beginning employment date.

- (A) If the Eligible Holder does not have sufficient cash reserves left after closing to make all of the mortgage payments prior to his/her receipt of the first pay check, the Authority requires a copy of the first pay stub prior to issuance of the MCC.
- (B) If the Eligible Holder does have sufficient cash reserves left after closing to make all of the mortgage payments prior to the receipt of his/her first pay check, no further documentation is required.

(xv) **Recertification of Compliance Income**

If the loan is scheduled to close 120 days or more after the period ending date of the latest pay stub, the Eligible Holder's income must be verified again and a **Recertification of Income (MCC-103)** form must be submitted for approval by the Authority prior to closing. The Lender must receive a new updated pay stub (or payroll ledger) reflecting current year-to-date earnings for salaried employees and a more current profit and loss statement for a self-employed Eligible Holder. Other income must be verified again as well as the Eligible Holder's base income.

(e) Other Eligible Holder requirements that must be met are as follows:

(i) **Cosigners**

The Cosigner is not subject to the first-time homebuyer and income limits; therefore, it is not necessary for Cosigners to sign the Authority documents.

The Cosigner does not take title to the property. Cosigners must sign the Promissory Note but are not allowed to sign the mortgage.

(ii) **Tax Liability**

If a review of the federal income tax returns reveals errors in filing, the applicant may be required to file an amended return to pay any additional taxes prior to issuance of the MCC. The Authority will consider a tax liability repayment plan on a case-by-case basis.

(iii) **Compliance Certification for Non-Eligible Holder Occupant**

The Compliance Certification for Non-Borrower Occupant on the **Program Certifications (MCC-014)** form must be properly executed by a spouse or other adult who will be residing in the property to be purchased.

He/she must execute all Authority documents. The income of both spouses or other occupant will be included in calculations to determine eligibility for participation in the MCC Program. Neither spouse nor other occupant can have owned an interest in a Principal Residence for the last three years and must occupy the home to be purchased within 60 days of loan closing.

(iv) **Recorded Separation Agreement and/or Recorded/Filed Divorce Decrees**

Prior to approval of the MCC, the Authority requires a copy of the recorded separation agreement and/or recorded/filed divorce decree and any subsequent modification documents for any Eligible Holder or Co-Eligible Holder that has been married during the past three years or receives alimony or child support.

2.2 Property Requirements

- (a) The Acquisition Cost of a home financed with the assistance of an MCC cannot exceed the established limits for State properties. The limits for Acquisition Cost are subject to change and can be found on our website at [www.sha.state.sc.us].¹⁹
- (b) The residence must be located in State²⁰ and must be eligible for insurance under the FHA, VA, USDA or Conventional Loan guidelines.
- (c) The Lender reviews a copy of the appraisal for compliance underwriting.

Property Types Allowed

- Single Family Detached Homes
 - Condominiums/PUDs approved by Fannie Mae or Freddie Mac, or insurer (FHA, VA, or USDA)
 - Townhomes
 - Any Manufactured Home (Mobile Home) eligible for insurance under FHA, VA, USDA or Conventional Loan guidelines.
- (d) For any properties involving more 2 two acres or an additional lot, the Loan Submission Package needs to include documentation verifying the additional land or lot is needed to reasonably maintain the basic livability of the residence or cannot be sub-divided and built on. The documentation will be reviewed by the Authority to determine acceptability prior to approval of the MCC.
- (e) No more than 15%²¹ of the total area of the Principal Residence can be used for:
 - (i) The principal place of business for, or in connection with, any trade or business on an exclusive and regular basis.²²
 - (ii) A place of business that is used exclusively and on a regular basis for the purpose of meeting or dealing with patients, clients or customers in the normal course of trade or business.²³

¹⁹ §§25(c)(2)(A)(iii)(III), 143(e) generally prescribe purchase price limitations; purchase price may not exceed 90% (or 110%, if a “targeted area residence”) of “average area purchase price,” defined as “the average purchase price of single family residences (in the statistical area in which the residence is located) which were purchased during the most recent 12-month period for which sufficient statistical information is available.” These are the same rules as for qualified mortgage revenue bonds. See also Treas. Reg. §1.25-1T(b)(8), §103(A)(i)(5).

²⁰ §§25(c)(2)(A)(iii)(I), 143(c)(1)(B)

²¹ Treas. Reg. 6a, 103A-2(d)(3)

²² IRC § 280A(c)(5)

²³ § 280A(c)(2)

- (iii) A place that is used on a regular basis where the inventory is held for use in the trade or business of selling products at wholesale or retail but only if the residence is the sole fixed location of such trade or business.²⁴
- (iv) Rental to any person for a period in excess of 15 days in any calendar year. This includes rental to a roommate. Roommate rental is assumed to be using more than 15% of the residence for business purposes.²⁵
- (v) A place that is used on a regular basis in the trade or business of providing day care for children, or for individuals who have attained the age of 65 years, or for individuals who are physically or mentally incapable of caring for themselves.²⁶
- (f) Property Acquisition Costs may not exceed the Authority's limits, which are based on the sale price. Some living units include Unfinished Square Footage. The cost to finish this space, whether or not the work is actually to be done, must be added to the sales price to arrive at the Acquisition Cost.²⁷

The Lender may use the appraiser's cost estimation for completion. The **Request for Conditional Commitment (MCC-012)** and the **Seller Affidavit (MCC-013)** must include this cost.

- (g) The mortgage loans are also subject to the FHA 203(b) maximum mortgage limits.²⁸
- (h) An appraised value (excluding closing costs) that exceeds 115% of the sales price must include documentation verifying why the property is being sold below market value. Documentation will be reviewed for acceptability on a case-by-case basis.

2.3 Financing Requirements

(a) MCC Federal Income Tax Credit Amount

The Authority offers a [30%]²⁹ federal income tax credit amount. The maximum MCC federal income tax credit amount is up to \$2,000 annually. The MCC is good for the life of the loan as long as the Eligible Holder occupies the property as his/her Principal Residence or refinances and obtains a re-issued MCC. A request for the re-issuance of an MCC has to occur within one year of refinance.

²⁴ § 280A(c)(2)

²⁵ § 280A(g)

²⁶ § 280A(c)(4)(A)

²⁷ §§2525(c)(2)(A)(iii)(III), 143 (e), Treas. Reg. §6a.103A-2(b)(8)

²⁸ FHA 203(b) loan limits apply to loan to be insured under the FHA 203(b) mortgage insurance program.

²⁹ §25(d)(1), Treas. Reg. 1.25-2T(b)(2). The issuer of an MCC may select a credit rate between 10% and 50%.

Should he/she cease to occupy the property as his/her Principal Residence, the Eligible Holder must cease using the MCC and notify the Authority so the MCC can be revoked.

(b) Underwriting Standards

For loans involving MCCs, underwriting standards are modified to recognize the benefit of the MCC derived from the federal income tax credit. The secondary mortgage market and the mortgage insurance industry have established underwriting policies for loans involving MCCs.

(c) New Mortgage Loan Requirement

An MCC cannot be issued in connection with an assumption of an existing mortgage loan that was not previously financed with the assistance of an MCC. However, an MCC can be used in connection with the replacement of construction loans. The term of any applicable construction loan must be 24 months or less.

Construction-to-permanent loans may utilize the MCC Program. The federal income tax credit is based on the modified (permanent) rate and is used only for the mortgage interest on the permanent loan. The MCC will be dated the date of conversion.

(d) Prohibited Mortgages

An [MCC cannot be used in connection with a qualified mortgage revenue bond (e.g. the Authority's First-Time Home Buyer Loan, FHA 203(k), or USDA 502 Direct loans.) [The Lender must obtain from the Eligible Holder, in the MCC Affidavits, a statement that no portion of the financing is from a qualified mortgage revenue bond.]

(e) Federal Housing Administration's (FHA) 203(k) Program

[The Authority's legal counsel has reviewed the Code and Treasury Regulations regarding the MCC Program and have determined that the requirements for a rehabilitation loan to be eligible for mortgage insurance under Section 203(k) are different from the definition of "qualified rehabilitation loan" as provided under the Treasury Regulations.

The Authority will not offer the MCC in conjunction with FHA's 203(k) loan program until requirements have been designed to make the programs more compatible and manageable to administer.]

(f) **Subordinate Financing**

An MCC can only be a component of the first mortgage financing.

Example:

1st Mortgage	=	\$90,000
2nd Mortgage	=	\$10,000

MCC benefit is based on the \$90,000 1st mortgage loan amount only. The benefit does not apply to subordinate liens (i.e. the \$10,000 2nd mortgage loan amount in this example).

(g) **[Assumption of MCC - Assisted Mortgage Loan]**³⁰ [Consider deleting – how often does this happen?]

If a loan financed with the assistance of an MCC is to be assumed by a new Eligible Holder, an MCC may be issued to the new Eligible Holder under these guidelines:

- (i) The Lender and new Eligible Holder must demonstrate to the Authority that there will be an assumption of liability for the remaining balance of the loan previously closed with an MCC.³¹
- (ii) If the new Eligible Holder is preliminarily eligible, the Lender obtains signed federal income tax returns for the previous three years (except for cases in Targeted Areas where only the previous year federal income tax return is required) and provides to the Eligible Holder a **Preliminary Notice to Applicants of Potential Recapture of Federal Subsidy (MCC-015)**. The Eligible Holder must write a letter of explanation as well as furnish sufficient documentation to support the explanation if mortgage interest or real estate taxes are shown as deductions on the federal income tax returns.
- (iii) The Lender and new Eligible Holder must submit a Loan Submission Package.
- (iv) The Authority will require a non-refundable MCC processing fee of [\$300] with the closing package. The fee can be paid by any party to the mortgage loan transaction. However, the Authority must be paid by a Lender check from an account of the Lender or by certified check. [The Lender can charge up to an additional amount of \$200.]

³⁰ An MCC is transferable only under limited circumstances set forth in Treas. Reg. 1.25-3T(h).

³¹ Treas. Reg. 1.25-3T(h)(2)(i)

- (v) ³²The new Eligible Holder's Acquisition Cost, income and assets must not exceed the Authority limits in effect at the time of loan assumption. The new Eligible Holder must occupy the unit as a Principal Residence within 60 days of the assumption, and, must be a first time homebuyer or meet certain exceptions.
- (vi) The Authority must issue a new MCC.³³
- (vii) The new MCC must meet all the conditions of the original MCC and must comply with any changes in federal, state or Authority policies that have amended the MCC Program requirements.
- (viii) The new Eligible Holder will receive the same MCC federal income tax credit amount as the original Eligible Holder.

If the new Eligible Holder is unable to qualify for an MCC, such failure to qualify does not preclude the loan from being assumed.

³² Treas. Reg. 1.25-3T(h)(2)(iii)

³³ Treas. Reg. 1.25-6T(b)(19); 1.25-3T(h)(2)(ii)

SECTION 3

LENDERS

3.1 Lender Qualifications³⁴

Lenders are encouraged to have the following attributes:

- (a) Are approved as a Fannie Mae or Freddie Mac seller/servicer in good standing (if originating Conventional Loans);
- (b) Are approved as an FHA mortgage originator (if originating FHA loans);
- (c) Are approved as a VA mortgage originator (if originating VA loans);
- (d) Are approved as a USDA mortgage originator (if originating USDA loans);
- (e) Have an office located in the State that has originated residential mortgages for at least one year;
- (f) Must originate, process, underwrite, close and fund the loan;
- (g) Are in compliance with applicable minimum capital requirements imposed by federal banking laws and regulations;
- (h) Are not under supervisory control of, or subject to, enforcement proceedings by federal banking regulators with respect to any violations or alleged violations of federal banking laws or regulations; and
- (i) Have executed a **Lender Participation Agreement (MCC ____)**.

3.2 Lender Responsibilities

The MCC Program is available on a loan-by-loan, first-come, first-served basis.

The Authority offers a 90-day lock-in period. The loan must close by the expiration date of the chosen lock-in. The Lender must submit the closing package to the Authority in accordance with Section 3.4 within 30 days of the expiration date. If the closing package is delivered later than 30 days after the expiration date, mandatory extension fees will be charged.

The Authority will charge a [\$50] late fee, per month, for all incomplete files. The Lender must use procedures which will ensure accurate closing documentation is received in

³⁴ Treas. Reg. §1.25-3T(4) provides that “holders of mortgage credit certificates are not required to obtain financing from the lenders on the list,” if the MCC offerer maintains a list of participating lenders. The Authority does not appear to be able to compel MCC applicants to use Lenders.

order for the Authority to disclose the **Notice to Mortgagors of Federally Subsidized Amount and Family Income Limits (MCC-____)**.

3.3 MCC Fees

The Authority charges a non-refundable MCC processing fee of [\$300.00]. Any party can pay the fee for the transaction; however, the Authority must be paid by a Lender check from an account of the Lender or by certified check with the closing package. The Lender may charge up to an additional amount of [\$200.00].

3.4 Record Retention and IRS Reporting³⁵

The Authority will perform random post issuance reviews of Lender records pertaining to loans that were closed with an MCC. Therefore, the originating Lender is required to maintain a copy of the entire credit package, entire closing package, all the Authority forms, and three years of federal income tax returns, for a period of 36 months even if servicing is released.

- (a) The Lender must retain for six years for IRS purposes:³⁶
 - (i) Name, address, and social security number of the Eligible Holder.
 - (ii) Name, address, and Taxpayer Identification Number of the issuer of the MCC (i.e. the Authority).
 - (iii) Loan date, Certified Indebtedness Amount and credit rate.
- (b) The Lender must file a report to the IRS each calendar year using **IRS Form 8329 (MCC ____)**. The report must be filed only once for each loan that was closed with an MCC.

The Authority will assist the Lender in preparing **IRS Form 8329 (MCC____)** by furnishing a computer printout of all MCCs closed during the calendar year. This report is based on all closing packages for which the Authority has received and issued an MCC. The processing fee for this report is [\$150]. Submit **Request for MCC Printout on Closed MCC Loans (MCC-____)** form no later than January 20 in order for the Authority to generate this report. Remember that in order for this report to be accurate, the Lender must have all closing packages on loans closed the prior calendar year submitted to the Authority by January 15 in order for an MCC to be issued.

³⁵ Treas. Reg. 1.258T

³⁶ Treas. Reg. 1.25-8T(a)

SECTION 4

MCC PROCESSING STEPS

4.1 General

The Authority will issue MCCs for eligible loans that are originated by Lenders. MCC eligibility includes compliance with federal and state requirements. Eligible Holders apply for the MCC Program at Lenders by completing a standard loan application. The Authority compliance review is done after the Lender's regular underwriting procedures. If the loan meets the applicable compliance underwriting guidelines, the Lender's underwriter issues an approval, subject to the Authority's approval. Since the Authority is not part of the decision making process on credit, no formal notice of rejection of an MCC is required under the [Equal Credit Opportunity Act].

Packages should be submitted as early as possible to allow sufficient time for the Authority to review the file and for the Lender to make corrections. The Authority will review files on a first-come, first-served basis within one business day of receipt, if received during the 1st - 15th of the month or within 2 business days of receipt if received after the 15th of the month. This policy also applies to correction packages.

Hand delivered packages will not be given priority over other packages. Hand delivered packages will be sent directly to the mailroom to be logged in and distributed along with other packages received. Also, underwriters will make calls specifically to the Lender contact with approval or denial.

4.2 Loan Origination

The Authority requires all Eligible Holders and Non-Borrower Occupants to sign Authority documents. The Authority does not allow a power of attorney to be used for the Affidavits. A recorded power of attorney may be used at closing for the loan documents.

The Authority recognizes that there are procedural variations among Lenders; consequently, the procedures outlined here only suggest the sequence of events.

- (a) Eligible Holder reviews MCC Program Guide or visits the website at www.sha.state.sc.us and schedules an appointment with a Lender.
- (b) Lender determines if an Eligible Holder is eligible for the MCC Program based on preliminary information for Household Income, Acquisition Cost and Prior Homeownership Interest.
- (c) If the preliminary screening indicates that the Eligible Holder is eligible, the Lender takes a formal application. The Lender obtains normal information, as

well as signed federal income tax returns or **IRS Income Tax Transcript (MCC-_____)** for the previous three years (except for cases in Targeted Areas or meets Veteran's exemption, obtain only the previous year's federal income tax returns), and provides to the Eligible Holder an MCC Program information packet and the **Preliminary Notice to Applicants of Potential Recapture of Federal Subsidy (MCC-015)**.

If mortgage interest or real estate taxes are shown on federal income tax returns, the Eligible Holder must write a letter of explanation as well as furnish sufficient documentation to support the explanation. See **Federal Income Tax Returns Worksheet (MCC-200)** for tips on reviewing federal income tax returns.

- (d) After the application has been taken, the Lender will access the [Online Lender System (OLS) (http://www._____)] and input the reservation information.

The Authority maintains a current cumulative total of reserved MCCs and is limited by law to a specific amount of MCC federal income tax credits that can be allocated to Eligible Holders. Lenders should promptly advise the Authority of reservation cancellations on Eligible Holders when loans are withdrawn.

- (e) Lender obtains a recorded/filed separation agreement and/or a recorded/filed divorce decree if the Eligible Holder or Co-Eligible Holder has been married within the last three years or receives alimony or child support. The recorded document must state the Eligible Holder is able to purchase real estate without intervention of the other party to obtain clear title to the property. The Eligible Holder should contact an Authority underwriter if he/she has any questions.

If a previous spouse owned a home prior to the marriage and the Eligible Holder only had a martial interest, we would need documentation to support the Eligible Holder never had an Ownership Interest. Acceptable documentation would include a 3-year title search on the marital home or the most recent property tax bill showing the previous spouse's name only.

- (f) Lender verifies that Eligible Holder's Household Income, Acquisition Cost, and Prior Homeownership Interest requirements are met. Eligible Holder's income must be verified again if the loan closes 120 days after the period ending date of the latest pay stub.
- (g) Lender obtains the Eligible Holder(s) signature(s) on the **Request for Copy of Tax Form 4506** and the **Program Certifications (MCC-014)**, as part of the Authority's quality assurance program. Both forms must also be dated.
- (h) Lender completes the verification process and the Eligible Holder signs and dates the **Request for Conditional Commitment (MCC-012)**. The Request for Conditional Commitment includes the following requirements:

- (i) Certification that the residence will be used as the Eligible Holder's Principal Residence within 60 days after the day of loan closing.
 - (ii) Certification that the Eligible Holder has not owned a residence in which he/she has lived in during the preceding three-year period. This is not required for the purchase of a home in a Targeted Area or meets Veteran's exemption.
 - (iii) Certification that the Acquisition Cost does not exceed the Acquisition Cost limits.
 - (iv) Certification that the Eligible Holder's gross annual income does not exceed permitted income limits.
 - (v) Certification that no mortgage interest from the loan is being paid to a Related Person.
 - (vi) Acknowledgment that any material misstatement or fraudulent statement is made under penalty of perjury.
 - (vii) Notarized acknowledgement of the Eligible Holder(s) signature(s).
- (i) Lender completes the **Seller Affidavit (MCC-013)** and obtains the Seller's notarized signature. Be aware of the following requirements on the Seller's signature.
- (i) All Sellers must sign the Seller Affidavit. The Authority is unable to accept a power of attorney as the Affidavit is a sworn legal document. A relocation company is authorized to sign Seller Affidavits. Active duty military personnel will be reviewed on a case by case basis.
 - (ii) If signed by a company official, the signature line must include the name of the selling company and the title of the individuals signing the Seller Affidavit.
 - (iii) If the Seller Affidavit is executed by an estate, the Authority must have a copy of the signed and stamped **Certificate of Appointment (MCC ____)** appointing the Personal Representative of the estate. The Certificate of Appointment can be obtained by the Personal Representative or from the county probate court.
 - (iv) Notarized acknowledgement of the Seller(s) signature(s).
- (j) Prior to submitting the file to the Lender's underwriter, the processor should enter the appraisal, credit data information and print the **Underwriter Data Summary & Approval (MCC-____)** form. The **Underwriter Data Summary & Approval**

(MCC-____) form is included in the Loan Submission Package to the Lender's underwriter and to the Authority.

- (k) For all loans, the Lender's underwriter must review the file for the Authority compliance issues. Once satisfied all industry underwriting and the Authority compliance issues have been met, the Lender's underwriter must sign the **Underwriter Data Summary & Approval (MCC-____)** form at the bottom left hand side. The Lender issues its approval, subject to the Authority's approval.
- (l) After the loan is approved by the Lender's underwriter, an underwriting submission package is sent to the Authority. The **MCC Submission Package Checklist (MCC-011)** should be included in the package. See Section 4.3 for more information.

Note: The **Underwriter Data Summary and Approval (MCC-____)** form must be signed by the Lender's underwriter in all cases prior to the Authority's review of the Loan Submission Package.

- (m) Lender will close the loan only *after* Authority approval. A loan must never be closed prior to the Authority's approval, or the Eligible Holder will not qualify for an MCC. The Lender will provide the Eligible Holder with a **Recapture Tax Closing Packet (MCC-107)**. The Authority does not allow dry closings.
- (n) Lender must submit a completed closing package to the Authority for review within 30 days of the expiration date of the lock-in period.
- (o) The Authority will issue an MCC and forward a copy of it to the Lender upon review and approval of the closing package.
- (p) The Authority will mail the **Notice to Mortgagors of Federally Subsidized Amount and Family Income Limits (MCC-____)** to the Eligible Holder within 90 days of loan closing, along with the MCC Certificate.
- (q) A \$50.00 late fee, per month, will be collected from the Lender if the Authority does not receive the closing package or additional corrections within 30 days from the expiration date. This fee cannot be collected from the Eligible Holder.

4.3 Loan Submission Package

- (a) Once the loan is approved by the Lender's underwriter, the Lender forwards to the Authority a Loan Submission Package consisting of the following documents in an Authority approved [blue folder], fastened at the top, on the right-hand side, in the order specified:
 - (i) MCC Submission Package Checklist (MCC-011) (Original);
 - (ii) Underwriting Summary and Approval Form (Signed by Underwriter);

- (iii) Signed and notarized Request for Conditional Commitment (MCC-012) (original);
 - (iv) Verification of current employment (written or verbal verification of employment) (copy);
 - (v) Current Pay Stubs verifying year-to-date income (copy);
 - (vi) Verification of prior employment (written verification of employment or verbal) to match the most recent calendar year's IRS Form W-2s;
 - (vii) Trust Certification for Loan Application (MCC-017) (Original) if applicable;
 - (viii) Signed and notarized Seller Affidavit (MCC-013) (Original);
 - (ix) Certificate of Appointment, if applicable, for the Seller(s);
 - (x) Copies of all of the most recent calendar year's IRS Form W-2s and/or 1099s to match the federal income tax returns;
 - (xi) Signed copies of Eligible Holder(s) three previous years federal income tax returns with applicable schedules; **[What happens if electronically filed?]**
 - (xii) Recorded Separation Agreement and/or Recorded/filed Divorce Decree (copy), if applicable;
 - (xiii) MCC Program Certifications with all applicable sections checked (MCC-014) (Original);
 - (xiv) Preliminary Notice to Applicants of Potential Recapture of Federal Subsidy (MCC-015) (original); and
 - (xv) Request for Copy of Tax Return 4506 (original).
- (b) The Authority reviews the Loan Submission Package for completeness and determines whether all necessary Affidavits are properly executed. Adequate time should be allowed between submission and when approval is required for the Lender to supply additional or corrected information.
- (c) Additional documentation must be received in a reasonable amount of time (normally 2 weeks) in order to issue an approval or denial.
- (d) If the Loan Submission Package is acceptable, the Lender is notified via email of the MCC approval. The Lender will be able to print the Conditional Commitment from the [Online Reservation System (OLS)] system.

The Conditional Commitment states that the Authority will issue an MCC in a specified amount from the Lender on evidence of compliance with the MCC Program requirements and the closing of the mortgage loan. The Conditional Commitment will reflect the percent of federal income tax credit to be issued.

4.4 Loan Closing Package

- (a) Lender receives the executed Conditional Commitment from the Authority. A loan should never be closed without the Authority's Conditional Commitment.

Conditions that need to be addressed prior to closing will be listed on the bottom of the Conditional Commitment. Until these conditions are cleared by the Authority, the MCC will not be issued.

- (b) Lender closes the loan in the normal procedure making sure to obtain as part of the closing package the following Authority Affidavits:
 - (i) **Lender Closing Affidavit (MCC-102)** - Please note that any Co-Eligible Holder's or Non-Borrower Occupant's name must appear on the Lender Closing Affidavit. The Social Security number of all Co-Eligible Holders must also be shown.
 - (ii) **Eligible Holder/Co-Occupant Closing Affidavit (MCC-101)** - Please note that any Co-Eligible Holder's or Non-Borrower Occupant's name must appear on the Affidavit and all adult occupants must sign this form.
- (c) Lender includes **Recapture Tax Closing Packet (MCC-107)** as a part of the closing package to the attorney. This packet is retained by the Eligible Holder.
- (d) Lender must understand these closing requirements:
 - (i) The loan must be delivered within 30 days of the expiration date. A complete package consists of the documents in the order listed on the **Closing Package Checklist (MCC-100)**. A [\$50] late fee, per month, is due for all late submissions.
 - (ii) The Authority reviews the Closing Package for completeness and compliance and determines whether all necessary Affidavits are properly executed.
 - (iii) The Authority issues a MCC if the closing package is acceptable. One copy will be mailed to the Lender and the original will be sent directly to the Eligible Holder.

4.5 Construction-to-Permanent Transactions

This is acceptable under the MCC Program. The Lender must be aware that the income verifications can be no older than 120 days prior to the conversion date. Recertification may be necessary. The closing package must contain a copy of the executed conversion document for the loan. The federal income tax credit cannot be applied to the construction loan interest. The federal income tax credit can be used only on the interest after conversion or permanent financing of the loan is in place.

SECTION 5

PROGRAM COMPLIANCE

The Lender is responsible for ensuring the Eligible Holder's compliance with various MCC Program requirements, including the first-time home buyer requirement. The first-time home buyer requirement does not apply if the residence purchased is in a Targeted Area or meets Veteran's exemption requirements.

5.1 Submitting Federal Income Tax Returns

To meet the first-time home buyer requirement, the Eligible Holder and any other adult Household members, including a fiancée, must submit to the Lender the last three years of signed, federal income tax returns including Forms 1040A, 1040EZ, Telefile Tax Record or 1040 federal income tax returns with all schedules showing no deductions for interest or taxes for a Principal Residence. The Authority requires a copy of all of the most recent calendar year's IRS Form W-2s. No IRS Form W-2s are required for the previous two years. The sum of the IRS Form W-2s must match the federal income tax returns.

Note: IRS Form 8453, U.S. Individual Income Tax Declaration for an IRS e-file return cannot be used in lieu of the actual federal income tax return.

If mortgage interest or real estate taxes are shown, the Eligible Holder must write a letter of explanation as well as furnish sufficient documentation to support the explanation. The Lender includes this documentation to the Authority in the Loan Submission Package.

5.2 If Federal Income Tax Returns Are Not Available

If the Eligible Holder is unable to provide signed federal income tax returns for the Loan Submission Package, the following steps must be taken:

- (a) If the Eligible Holder is unable to produce signed federal income tax returns, the Authority will accept a copy of the signed IRS Income Tax Transcript for any year during the last three years. The IRS toll free number is 1-800-829-1040.

Note: The Account Transcript Summary is not acceptable.

- (b) If the Eligible Holder was not required by law to file federal income tax returns for any year during the last three years, the Lender must check 4(c) on the **Request for Conditional Commitment (MCC-012)**. The form should include the specific reason that the Eligible Holder was not required to file. As an alternative, the Lender can provide the **Income Tax Affidavit (MCC-018)** with item 1(a) completed. Include this document in the Loan Submission Package.

- (c) If the loan is to close between January 1 and February 15 and the Eligible Holder has not yet filed a federal income tax return for the preceding year, the Lender must complete 4(d) on the **Request for Conditional Commitment (MCC-012)** for the preceding year. As an alternative, the Lender can provide the **Income Tax Affidavit (MCC-018)** with item 1(b) completed. These sections on both forms state that the Eligible Holder is not entitled to claim deductions for taxes or interest on a Principal Residence for the preceding calendar year.
- (d) If MCC approval was issued by the Authority prior to year-end and the loan does not close, the Conditional Commitment becomes null and void. If the loan is closing between January 1 and February 15 and the Eligible Holder has not filed a current year federal income tax return, the Lender must resubmit the **Request for Conditional Commitment (MCC-012)** with item 4(d) completed or provide the **Income Tax Affidavit (MCC-018)** with item 1(b) completed. The Authority will review and issue a new Conditional Commitment.
- (e) If the MCC is approved by the Authority between January 1 and February 15, and the loan closes after February 15, the Conditional Commitment becomes null and void. The Lender must submit the prior year's federal income tax returns. The Authority will review and issue a new Conditional Commitment.

5.3 Changes in Eligible Holder Status

All the Authority requirements must be met at the time of loan application. Income, Principal Residence requirement and first-time home buyer requirements must be met by all Mortgagors (those signing the mortgage) and any other person (i.e. fiancée) who is expected to occupy the residence being financed, including income received by any Household member who is 18 years of age or older (except a full-time dependent student), even if they will not be secondarily liable for the loan. The **MCC Program Certifications (MCC-014)** must also be completed.

Any changes that occur between the time of loan application and closing may impact eligibility for the MCC Program. If changes occur after issuance of the Conditional Commitment and prior to closing, the Conditional Commitment is automatically revoked. Please contact the Authority concerning changes in Eligible Holder, Household size and property status.

If an Eligible Holder marries or becomes engaged at any time during the processing and prior to closing, the new spouse or fiancée must be considered in determining eligibility.

The Eligible Holder's income must be verified again with a **Recertification of Income (MCC-103)** including an updated written or verbal verification of employment and pay stubs, if more than 120 days have elapsed between the loan application and closing. The Eligible Holder's re-verified income must not exceed the income limits stated in Section 2.

5.4 Withdrawals of Loan Reservations

The Lender must notify the Authority of any loan withdrawals by accessing the [Online Lender System (OLS)] (<http://www.>) and withdrawing the reservation. The Eligible Holder will be prompted to enter a reason for withdrawing the loan.

5.5 Penalties

- (a) **Misstatements** - A material misstatement made in connection with an MCC may constitute a federal violation punishable by fines or by criminal penalties. In addition, any material misstatement or any false statement which affects eligibility for an MCC will result in denial of an application for an MCC. If an MCC has been issued prior to discovery of the false statement, which is due to fraud, then any MCC issued will automatically become null and void without any need for further action on the part of the Authority.
- (b) **Revocation** - The MCC will be revoked if the Eligible Holder no longer meets the requirements for a qualified MCC. Revocation will occur on the discovery of any material misstatement, whether negligent or fraudulent. Revocation occurs automatically if the Eligible Holder's residence ceases to be a Principal Residence or if MCC no longer meets the requirements of the Code or Treasury Regulations.

SECTION 6

IRS/TAX INFORMATION

Disclaimers

This material is to help the Eligible Holder understand the effect of the MCC on the Eligible Holder's federal income taxes. Tax law is complicated and this is not a full explanation. These examples and the descriptions of how to revise withholding certificates are to show the Eligible Holder how tax laws work under certain circumstances. This is not a complete discussion and the Eligible Holder should contact a tax advisor to help with the tax forms and other tax related issues described herein. The Eligible Holder should not rely on this material to ensure compliance with tax law; this is not tax advice but an illustration of forms and procedures to help the Eligible Holder understand his/her MCC.

THIS SHOULD NOT BE CONSTRUED AS TAX ADVICE. FEDERAL INCOME TAX LAWS RELATING TO MCCS ARE COMPLICATED, AND YOU SHOULD CONSULT YOUR TAX ADVISOR IF YOU HAVE ANY QUESTIONS RELATING TO THE EFFECT OF YOUR RE-ISSUED MCC UPON YOUR FEDERAL INCOME TAX LIABILITY.

CIRCULAR 230 DISCLOSURE

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, WE INFORM YOU THAT ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS PROGRAM GUIDE (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF (I) AVOIDING PENALTIES UNDER THE INTERNAL REVENUE CODE OR (II) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION OR MATTER ADDRESSED HEREIN. THIS ADVICE MAY NOT BE FORWARDED (OTHER THAN WITHIN THE TAXPAYER TO WHICH IT HAS BEEN SENT) WITHOUT OUR EXPRESS WRITTEN CONSENT.

The MCC Eligible Holder Program Information Packet

The MCC Eligible Holder Program Information Packet should be given to the Eligible Holder when taking the loan application. The packet includes the following information:

Why is the Mortgage Interest Credit Valuable to the Eligible Holder?

Generally, a homeowner is allowed to claim 100% of their mortgage interest as a federal income tax deduction. Deductions are recorded on IRS Schedule A and transferred to IRS Form 1040 to reduce the amount of income used to calculate federal income taxes.

Example:

Adjusted Gross Income	\$ 34,000
Mortgage interest deduction	- <u>\$ 4,000</u>
Income used to calculate taxes	\$ 30,000
 Taxes owed (10% tax rate)	 \$ 3,000

With a [30%] credit, [30%] of the \$4,000 (\$1,200) is taken as a credit, while the remaining 70%, (\$2,800) is a deduction. For example:

Income	\$34,000	
Mortgage Interest deduction	- <u>\$ 2,800</u>	(70% of \$4,000)
Income used to calculate taxes	\$31,200	
Taxes owed (10% tax rate)	\$ 3,120	
Apply [30%] credit	- <u>\$ 1,200</u>	
Actual taxes	\$ 1,920	

The example shows that the [30%] credit will lower the tax liability by \$1,080.

The MCC federal income tax credit is available as long as the Eligible Holder has the original loan and occupies the home as a Principal Residence. The amount of federal income tax credit is limited to \$2,000 annually.

How does the Eligible Holder “Claim” the credit?

By filing a revised IRS Form W-4 Employee’s Withholding Allowance Certificate with the Eligible Holder’s employer, the Eligible Holder will change his/her monthly tax withholding and will receive the MCC federal income tax credit amount on a monthly basis rather than “claiming” it at the end of the calendar year. The Eligible Holder’s employer deducts less tax from the Eligible Holder’s paycheck over the calendar year, so that the Eligible Holder can use the money to help pay a monthly house payment.

The Eligible Holder completes the federal income tax forms at the end of the calendar year, after determining the amount of federal income taxes owed, and the amount of federal income tax credit received will directly reduce the total federal income tax paid.

Whether the Eligible Holder changes his/her monthly withholding or not, the Eligible Holder will get the total amount of federal income tax credit, it is just a matter of when as long as the federal income tax credit does not exceed the amount of federal income taxes owed on IRS Form 1040 after all other credits and deductions have been taken.

However, the Eligible Holder’s Lender may require that the Eligible Holder revise his/her monthly federal income tax withholding so that he/she will have sufficient funds with which to make his/her loan payment. To do this, the Lender may ask the Eligible Holder to revise his/her

IRS Form W-4 Employee's Withholding Allowance Certificate and submit it prior to loan closing.

What Will the Lender Do?

1. The Lender should review the Eligible Holder's most recent federal income tax returns to ensure there is sufficient tax liability (\$250) to maximize the use of the benefit.
2. The Lender must provide the following information to the Eligible Holder:
 - a. A completed **Mortgage Credit Certificate Tax Credit Worksheet (MCC-204)** which provides an estimate of the first year's federal income tax credit;
 - b. An MCC Eligible Holder Information Packet which includes:
 - MCC Eligible Holder Program Information
 - Recent IRS Form W-4 Employee's Withholding Allowance Certificate
 - Recent IRS Form 8396, Mortgage Interest Credit
 - c. A copy of the Conditional Commitment from the Authority which verifies that the Eligible Holder has conditionally been approved for an MCC.
3. The Lender must advise the Eligible Holder if they are required to revise the IRS Form W-4 Employee's Withholding Allowance Certificate prior to closing, or if it is optional.

What Must the Eligible Holder Do?

1. The Eligible Holder must complete the IRS Form W-4 Employee's Withholding Allowance Certificate according to directions in the "How Does the Eligible Holder Change His/Her Withholding?" section.
2. The Eligible Holder must give the original IRS Form W-4 Employee's Withholding Allowance Certificate to their employer.
3. At the end of the calendar year, the Eligible Holder must obtain IRS Form 8396. The form must be completed and the federal income tax credit amount from IRS Form 8396 must be entered on IRS Form 1040 ([30%] of the annual loan interest). See the **Mortgage Credit Certificate Tax Credit Worksheet (MCC-204)** for the Eligible Holder's federal income tax credit rate. The Eligible Holder may also enter [70%] of the annual mortgage interest on IRS Form 1040 Schedule A as an itemized deduction.
4. The MCC form is mailed to the Lender and Eligible Holder once the Authority has received an acceptable closing package delivered by the Lender. The MCC must be kept in a safe place. It will be proof that the Eligible Holder is entitled to receive the federal income tax credit each year for the life of the loan.

SECTION 7

REFINANCING REQUIREMENTS

[Does the Authority want to offer?]

The Treasury Regulations require that the re-issued MCC be, in effect, a continuation of the existing MCC. The Authority may re-issue MCC's provided that specific requirements are met.³⁷

7.1 Specific Requirements

- (a) The certified mortgage indebtedness set forth on the re-issued MCC will be the outstanding principal balance of the prior loan as of the date of the refinance.
- (b) The re-issued MCC will only be issued to the Eligible Holder of the original MCC and for the same property, provided the holder still occupies it as a primary residence.
- (c) The re-issued MCC will expire on the final payment date for the prior mortgage loan.
- (d) The re-issued MCC federal income tax credit rate (i.e., 15%, 20%, 25% or [30%]) will not be changed and the re-issued MCC will only be re-issued to the Eligible Holder of the original MCC.
- (e) The re-issued MCC will state that the credit allowable will not exceed the credit that would otherwise have been allowable to the holder under the original MCC for any taxable year.

Note: The Authority will only process requests in which the Eligible Holder is refinancing from a fixed rate loan to another fixed rate loan.

- (f) The Authority will process one re-issuance request per Eligible Holder.
- (g) The MCC will not be re-issued later than one year after the date of the refinance.

7.2 How It Works

The Eligible Holder must provide the Authority with the following documentation in order to begin the re-issue process:

³⁷ §25(e)(4) allows for the reissuance of MCCs so long as the allowable credit under the reissued certificate is equal to or less than the amount of credit which was initially allowable.

- (a) Copy of the payoff statement from the prior lender confirming the outstanding principal balance as of the date of the refinancing.
- (b) Copy of the executed Promissory Note and executed HUD-1 Settlement Statement for the new loan.
- (c) [\$225.00] in a non-refundable certified check to process the request. The Authority will not accept personal checks.
- (d) **Owner Occupancy Certification (MCC ____).**

The Authority will make every effort to process the information on a first-come, first-served basis within a 60-day time frame. However, a guarantee cannot be made since new loans will receive underwriting priority.

The re-issued MCC must be kept in a safe place. It will be proof that the Eligible Holder is are entitled to receive the credit each year for the remaining term of the original mortgage while the Eligible Holder occupies the property.

7.3 Certified Indebtedness Amount

The Certified Indebtedness Amount set forth on the Eligible Holder's re-issued MCC is equal to the outstanding principal amount of the Eligible Holder's prior loan at the time of refinancing. If the amount that the Eligible Holder borrowed to refinance exceeded the outstanding principal amount of the Eligible Holder's loan at the time of refinancing (which typically would be the case if the Eligible Holder financed the closing costs), the Certified Indebtedness Amount set forth on the Eligible Holder's re-issued MCC will be less than the principal amount of the Eligible Holder's new mortgage loan. The federal income tax laws only allow a federal income tax credit for interest paid with respect to the Certified Indebtedness Amount, which in such case will generally be less than the actual amount of interest paid in any tax year on the Eligible Holder's new mortgage loan.

To help the Eligible Holder determine the amount of interest that is eligible for application of the federal income tax credit, we will provide the Eligible Holder with an amortization schedule showing the monthly interest payments with respect to the Certified Indebtedness Amount set forth in the Eligible Holder's new loan.

Assuming that the Eligible Holder makes no early prepayments of principal, the interest eligible for application of the federal income tax credit should not exceed the interest paid or accrued in each tax year with respect to the Certified Indebtedness Amount.

In the event that the Eligible Holder prepays any principal on his/her new loan, the interest eligible for application of the federal income tax credit will be reduced below the interest amounts.

The federal income tax laws also provide that the federal income tax credit allowable under a re-issued MCC cannot exceed the federal income tax credit that would otherwise have been allowable to the holder of the prior MCC for any calendar year. In order to comply with this provision, the Eligible Holder's re-issued MCC expires on the final payment date for the Eligible Holder's prior loan. If the term of the Eligible Holder's new loan exceeds the term of his/her prior loan, the Eligible Holder's right to receive a federal income tax credit under his/her re-issued MCC will expire prior to the final payment date for the Eligible Holder's new loan.

In addition, in the event the term of the Eligible Holder's new loan exceeds the term of his/her prior loan, the federal income tax credit applicable to interest paid with respect to the Certified Indebtedness Amount may exceed the federal income tax credit that would otherwise have been allowable under the prior loan. This can occur prior to the final payment date of the prior loan.

In order to ensure that the Eligible Holder does not claim a federal income tax credit greater than the federal income tax credit that would have been allowable under his/her prior MCC, it will be necessary for the Eligible Holder to compare the amount of interest eligible for credit under the re-issued MCC to the interest that would otherwise be eligible for the federal income tax credit under the Eligible Holder's prior MCC and apply the federal income tax credit rate to the lower of the two amounts. The Authority cannot provide the Eligible Holder with an amortization schedule for his/her prior loan for the purposes of making this determination.

SECTION 8

RECAPTURE

8.1 The Basics of Recapture

Congress enacted legislation in 1988, subsequently amended in October of 1990, to recapture some or all the subsidy from first time homebuyers who receive qualified mortgage bond assistance after January 1, 1991. This includes all buyers who use Authority MCCs. The purpose of recapture is to retrieve the subsidy from owners who receive rapid income increases after they purchase their home and, as a result, do not need the subsidy to remain homeowners. Recapture became effective for all loans closed after December 31, 1990.

Recapture with respect to an MCC applies to MCCs issued after _____ 1, 2012. The maximum recapture will occur if the home is disposed of during the fifth year. The lowest recapture will occur within the first year and the ninth year. Recapture does not apply if the home is disposed of more than nine years after the loan closing. Recapture does not apply if disposition occurs due to the death of the Eligible Holder. A successor may be subject to recapture if the property is disposed of. Recapture does not apply to transfers to spouses and former spouses in which no gain or loss is recognized. The maximum recapture amount is provided immediately after the loan closing. The actual recapture amount is calculated at the time of disposition. A holding period adjustment and an income adjustment may reduce the amount of recapture. The recapture amount will be determined separately according to the respective interests in the residence when two or more persons (generally unmarried) receive an MCC. The Eligible Holder is responsible for paying the recapture amount as additional federal income tax liability upon the disposition of the home financed with an MCC. The Eligible Holder is responsible for the recapture calculation and payment of the recapture amount to the federal government.

8.2 MCC Recapture Concept³⁸

The recapture of subsidy on an MCC is triggered when a disposition of the financed residence takes place within nine years of the purchase date. Transfers to a spouse in which, no gain or loss is recognized and dispositions by reason of death are excluded. The amount of recapture that owners might have to pay depends on how much their incomes have increased, their family size at the time of the sale, the size of their loans, the length of time they owned their home and, any gain realized on disposition of their residence. The owner is responsible for paying the recapture amount as an additional federal income tax liability for the tax year in which the home is disposed of. The owner

³⁸ The mechanism is set forth in §143(m).

is responsible for the calculation and payment to the federal government. The originating lender is only responsible for disclosure at time of application and closing.

APPENDIX A

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY MORTGAGE CREDIT CERTIFICATE PROGRAM FORM AND DOCUMENT LISTING

Processing

Reservation Request	MCC-010
Underwriting Data Summary and Approval Form	
MCC Submission Package Checklist	MCC-011
Request for Conditional Commitment	MCC-012
Seller Affidavit	MCC-013
Seller Affidavit (for HUD Repossession Properties Only)	MCC-013
Certificate of Appointment	
Program Certifications	MCC-014
Preliminary Notice to Applicants of Potential Recapture of Federal Subsidy	MCC-015
Request for Copy of Tax Return	IRS Form 4506
Trust Certification for Loan Application	MCC-017
Income Tax Affidavit	MCC-018
Informational Memo	MCC-024
MCC Eligible Holder Program Information	MCC-024

MCC Eligible Holder Information Packet
Loan Submission Package

Closing

Closing Package Checklist	MCC-100
Eligible Holder/Co-Occupant Closing Affidavit	MCC-101
Lender Closing Affidavit	MCC-102
Recertification of Income	MCC-103
Recapture Tax Closing Packet	MCC-107

Conditional Commitment

Worksheets

Federal Income Tax Returns Worksheet	MCC-200
Income Calculation Worksheet	MCC-201
Calculation of Business Use Worksheet	MCC-202
Mortgage Credit Certificate Tax Credit Worksheet	MCC-204

Request for MCC Printout on Closed MCC Loans – [MCC ____]
Underwriter Data Summary & Approval Form
Conditional Commitment

MCC 204

Request for Copy of Tax Form 4506
Income Tax Transcript
Account Transcript Summary
Notice to Mortgagors of Federally Subsidized Amount and Family Income Limits
IRS Form 8329
Certificate of Appointment
Owner Occupancy Certificate
Lender Participation Agreement (MCC ____)

Owner Occupancy Certification (MCC ____)

This is to certify that I/we currently occupy the property at the following address:

as my/our primary address.

Borrower's Signature	Date
----------------------	------

Co-Borrower's Signature	Date
-------------------------	------

() Telephone Number	Date
-----------------------------	------

MORTGAGE CREDIT CERTIFICATE TAX CREDIT WORKSHEET
(MCC-204)

Section A. Lender completes this section for Eligible Borrowers eligible for [30%] credit

1. <u>Mortgage loan amount</u>	<u>\$</u>
2. <u>Interest rate</u>	<u>%</u>
3. <u>Establish first year's interest by amortizing the loan for one year</u>	<u>\$</u>
4. <u>Mortgage credit rate</u>	<u>[30%]</u>
5. <u>Tax credit equals [30%] of the first year's interest</u>	<u>\$</u>
6. <u>The monthly benefit is calculated by dividing the tax credit by 12 months</u>	<u>\$</u>

Section B. Example for completing Section A.

1. <u>Mortgage loan amount</u>	<u>\$127,400</u>
2. <u>Interest rate</u>	<u>5.00 %</u>
3. <u>Establish first year's interest amortized (\$127,400 x 5%)</u>	<u>\$6,370 (e)</u>
4. <u>Mortgage credit rate</u>	<u>30 %</u>
5. <u>Tax credit (\$6,370 x [30%])</u>	<u>\$1,911 (e)</u>
6. <u>The monthly benefit (\$1,911 ÷ 12)</u>	<u>\$159.00</u>

* Review federal income tax return to verify sufficient liability.

REQUEST FOR MCC PRINTOUT ON CLOSED MCC LOANS
(MCC-)

Lender: _____

Mailing Address: _____

Phone No. _____ Fax No. _____

Contact Person: _____ Email: _____

Check (\$150) Enclosed: _____ Yes _____ No _____

Mail To: _____ South Carolina State Housing Finance and Development Authority

300-C Outlet Pointe Blvd.

Columbia, South Carolina 29210

Attn: _____

If you have any questions, please call _____ at () _____.

PRELIMINARY NOTICE TO MORTGAGORS OF POTENTIAL MCC RECAPTURE OF FEDERAL SUBSIDY (MCC ____)

The below-market rate on the MCC has been made possible through a federal income tax subsidy.

If the Eligible Holder disposes of all or part of the interest in his/her home at a gain within nine years of the date of loan closing, the Eligible Holder's federal income tax for the year in which the disposition occurs may be increased by a portion of the federal subsidy received by the Eligible Holder ("Recapture Tax").

The recapture is accomplished by an increase in the Eligible Holder's federal income tax for the year in which he/she sells his/her home. The recapture only applies, however, if the Eligible Holder sells his/her home at a gain and if his/her income increases above specified levels.

Within 90 days of the issuance of an MCC the Authority will provide the Eligible Holder with the **Notice to Mortgagors of Federally Subsidized Amount and Family Income Limits (MCC-____)**. This form contains information that the Eligible Holder will need to calculate the maximum amount that the Eligible Holder may be required to pay as an addition to his/her federal income tax liability if the Eligible Holder disposes of all or part of the interest in his/her home. The Eligible Holder may wish to consult a tax advisor at the time he/she sells his/her home to determine the amount, if any, of the Recapture Tax. None of these calculations need be made unless the Eligible Holder disposes of an interest in his/her home within nine years from the date of closing.

The actual amount of Recapture Tax can only be calculated at the time of disposition. Several steps are required to calculate the actual Recapture Tax amount. Adjustments may be made based on the number of years the home is owned by the Eligible Holder and the Eligible Holder's income at the time of disposition. The following outlines the steps involved in the calculation:

Threshold Income (Adjusted Qualifying Income)

The highest federal family income, (based on family size at the time of disposition) at the date of the loan closing multiplied by 1.05 to the nth power where "n" is the number of full years between the loan closing and the date of disposition.

Holding Period Percentage

The percentage is based on the year in which the disposition occurs after the loan closing date according to the following table:

Year 1	20%	Year 4	80%	Year 7	60%
Year 2	40%	Year 5	100%	Year 8	40%
Year 3	60%	Year 6	80%	Year 9	20%

Maximum Recapture Amount

The federally-subsidized amount, which is 6.25% multiplied by the highest principal amount of the loan, multiplied by the holding period percentage.

Income Percentage

The modified adjusted gross income of the Eligible Holder for the taxable year in which the disposition occurs minus the threshold income divided by a constant factor of 5,000.

Adjusted Recapture Amount

The maximum recapture multiplied by the income percentage.

Recapture

Equals the lesser of the Adjusted Recapture Amount, or one-half the gain realized on the disposition.

If the disposition occurs other than through a sale, exchange or involuntary conversion, gain for purposes of Recapture Tax will be determined as if the interest had been sold for its fair market value on the date of disposition. Further, in the event the Eligible Holder's home is destroyed by fire, storm, flood or other casualty, no Recapture Tax will be required if the Eligible Holder purchases additional property for use as his/her principal residence on the site of the home financed with this mortgage within the period of time specified in [Section 1033 (a)(2)(B)] of the Code.

This notice is furnished by the Authority according to the requirements of Section 143 (m)(7) of the Code. It should be kept by the Eligible Holder with his/her loan files. The Eligible Holder should consult his/her own tax advisor regarding the calculation of the Recapture Tax amount if the Eligible Holder disposes of any interest in his/her home within nine years of the date of this notice.

NOTICE OF MAXIMUM RECAPTURE TAX AND METHOD TO COMPUTE RECAPTURE TAX ON SALE OF HOME (MCC ____)

Introduction

General

If the Eligible Holder sells his/her home within nine years after closing his/her loan, the Eligible Holder may have to pay a Recapture Tax as calculated below. The Recapture Tax may also apply if the Eligible Holder disposes of his/her home in some other way, for example, if the Eligible Holder gives his/her home to a relative. Any reference in this notice to the “sale” of his/her home also includes other ways of disposing of his/her home.

Exceptions

In the following situations, no Recapture Tax is due.

- Eligible Holder disposes of his/her home more than nine years after Eligible Holder closes his/her loan.
- Eligible Holder’s home is disposed of as a result of Eligible Holder’s death.
- Eligible Holder transfers his/her home to his/her spouse or to his/her former spouse incident to divorce and Eligible Holder has no gain or loss included in Eligible Holder’s income under Section 1041 of the Code.
- Eligible Holder disposes of his/her home at a loss.

Maximum Recapture Tax

The maximum Recapture Tax that the Eligible Holder may be required to pay is calculated for the Eligible Holder in the enclosed notice. This amount is 6.25% of the original principal amount of the Eligible Holder’s loan. This is the Eligible Holder’s federally-subsidized amount with respect to the loan. If Recapture Tax is due, the Eligible Holder would pay it as an addition to the Eligible Holder’s federal income tax for the year the Eligible Holder disposes of his/her home.

Actual Recapture Tax

The actual Recapture Tax, if any, can only be determined when the Eligible Holder sells his/her home. It is the lesser of (i) 50% of any gain the Eligible Holder realizes, regardless of whether the Eligible Holder has to include that gain in his/her income for federal income tax purposes, or (ii) the Eligible Holder’s recapture amount determined by multiplying the following three numbers:

- The maximum Recapture Tax, as described above and as shown in the enclosure, times
- The holding period percentage, as listed in the enclosure, times
- The income percentage

Calculate the income percentage as follows:

Subtract the applicable “Adjusted Qualifying Income” in the taxable year in which the Eligible Holder sells his/her home, with the following two adjustments: (i) the Eligible Holder’s adjusted gross income must be increased by the amount of any interest that the Eligible Holder receives or accrues in the taxable year from tax-exempt bonds that is excluded from the Eligible Holder’s gross income (under Section 103 of the Code); and (ii) the Eligible Holder’s adjusted gross income must be decreased by the amount of any gain included in the Eligible Holder’s gross income by reason of the sale of his/her home.

If the result is zero or less, the Eligible Holder owes no Recapture Tax. If it is \$5,000 or more, the Eligible Holder’s 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 the Eligible Holder’s income percentage. For example, if the fraction is $\$1,000 \div 5,000$, the Eligible Holder’s income percentage is 20%.

Limitations and Special Rules on Recapture Tax

- If the Eligible Holder gives away his/her home (other than to his/her spouse or ex-spouse incident to divorce), the Eligible Holder must determine his/her actual Recapture Tax as if he/she had sold his/her home for its fair market value.
- If the Eligible Holder’s home is destroyed by fire, storm, flood, or other casualty, there generally is no Recapture Tax if, within two years, the Eligible Holder purchases additional property for use as his/her principal residence on the site of the home financed with the MCC loan.
- In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the MCC loan, the actual Recapture Tax is determined separately for them based on their interests in the home.
- If the Eligible Holder repays his/her loan in full during the nine year period and sells his/her home during this period, the Eligible Holder’s holding period percentage may be reduced under the special rule in Section 143(m)(4)(C)(ii) of the Code.
- Other special rules may apply in particular circumstances. The Eligible Holder may wish to consult with a tax advisor when he/she sells or otherwise disposes of his/her home to determine the amount, if any, of the Eligible Holder’s actual Recapture Tax.

APPENDIX B

TARGETED AREAS

The first-time homebuyer requirement does not have to be met if the Eligible Holder's residence is located in a designated Targeted Area, as listed in this Appendix.

A Targeted Area is any area designated by the federal government to receive special consideration based on economic conditions and the housing stock. A Targeted Area is defined as a census tract in which 70% or more of the households have an income which is 80% or less of the area median family income. Such areas are not subject to the Prior Home Ownership Interest restriction. Treasury Regulations require the Authority to set aside a portion of MCCs for Targeted Areas for one year.

To determine the census tract for a specific property address, you may access [www.ffiec.gov/geocode/default.aspx.]

Targeted areas are as follows:

County

Census Tract

APPENDIX C

DEFINED TERMS

Acquisition Cost³⁹ - The cost of acquiring Principal Residence as a completed residential unit, including:

- (1) all amounts paid, either in cash or in kind, by the Mortgagor or a related party for the benefit of the Mortgagor to the Seller(s); or related parties for the benefit of the Seller(s) as consideration for the Principal Residence;
- (2) if the dwelling unit on the Principal Residence is incomplete, the reasonable cost of completing the same, whether or not the costs of completion are to be financed with the current loan; and
- (3) if the Principal Residence is purchased subject to ground rent the capitalized value of the ground rent.

The following costs are excluded:

- (1) those settlement costs and financing costs that are usual and reasonable and that would be paid by the Mortgagor where financing is not provided through a qualified mortgage bond issue;
- (2) the value of any services performed by the Mortgagor and family members in completing a dwelling unit on the Principal Residence; and
- (3) the cost of any land that was owned by the Mortgagor for at least two years prior to the construction of a dwelling unit on the Principal Residence. Refer to Section 2 for Acquisition Cost limits.

Affidavit - A document that is made under oath and subject to the penalties of perjury. The Affidavits include the following: **Request for Conditional Commitment (MCC-012)**; the **Seller Affidavit (MCC-013)**; the **Program Certifications (MCC-014)**; the **Income Tax Affidavit (MCC-018)**; the **Eligible Holder/Co-Occupant Closing Affidavit (MCC-101)**; the **Lender Closing Affidavit (MCC-102)**; and **Recertification of Income (MCC-103)**.

Authority - The South Carolina State Housing Finance and Development Authority.

Certified Indebtedness Amount – Is the amount of indebtedness which is incurred by an Eligible Holder to acquire a Principal Residence of the Eligible Borrower and is set forth on an MCC.⁴⁰

³⁹ §143(k)(3)(A), Treas. Reg. §6a.103A, Treas. Reg. §§6a.103A-2(b)(8), 1.25-3T(d)

Code – The Internal Revenue Code.

Compliance Income - Total of the occupants' gross annual Household Income at time of application, plus any additional income from alimony, annuities, auto allowance, bonuses, child support, commission, disability or death benefits, dividends, education benefits used for subsistence fees, interest, income received from business activities or investments, income received from trusts, inheritances, insurance policies, net rental income, overtime, pensions, public assistance, recurring monetary contributions regularly received from persons not living in the unit, royalties, severance pay, shift differential, sick pay, social security benefits, special pay and allowances of a member of the armed forces (excluding hazardous duty pay), tips, unemployment compensation, Veterans Administration (VA) compensation, and workers compensation. This includes any income from any source for all persons 18 years or older who are not full-time dependent students, and who are expected to occupy the property. For more specific criteria refer to Section 2.1.

The income to be taken into account in determining the gross annual income includes all sources of Household Income for the Mortgagor(s) and any other person who is expected to live in the residence being financed even if they will not be secondarily liable on the mortgage.

Conventional Loan - A mortgage loan which is not guaranteed or insured by Fannie Mae and Freddie Mac.

Co-Eligible Holder - An individual that (i) is named on loan documents and whose income and credit are used to qualify for the loan; (ii) meets the annual income limits in Section 2; (iii) has or will establish State residency within 60 days of closing; and (iv) has not had an Ownership Interest in a Principal Residence during the three-year period ending on the date the Promissory Note is executed, unless the Principal Residence purchased is in a Targeted Area or qualifies for a Veteran's exemption.

Cosigner - A non-occupant who is cosigning the Promissory Note for a particular loan. For the Authority purposes, the Cosigner cannot take title to the property; however, they must execute the Promissory Note, but not the mortgage.

Eligible Holder - An individual or family that (i) meets the annual income limits in Section 2, (ii) has or will establish South Carolina residency within 60 days of closing, and (iii) has not had an Ownership Interest in a Principal Residence during the three-year period ending on the date the Mortgage is executed, unless the residence purchased is in a Targeted Area or meets Veteran's exemption.

FHA - The Federal Housing Administration of HUD.

Household - Any person or persons who intend to occupy a home as a Principal Residence. The income of all Household members who are 18 years of age or older (except full-time dependent students) must be included in the total annual income calculation, whether or not they will

⁴⁰ §§25(b)(2)(A)

execute the Promissory Note. To determine Household size the Authority will include all individuals who intend to occupy the property at a future date (i.e. fiancée).⁴¹

Household Income - the gross annual income of the Eligible Holder (those signing the mortgage loan) and any other person who is expected to live in the Principal Residence being financed; including income received by any Household member who is 18 years of age or older (except a full-time dependent student), even if they will not be secondarily liable on the mortgage loan.

HUD - The United States Department of Housing and Urban Development.

IRS – The Internal Revenue Service.

IRS Income Tax Transcript – A transcript issued by the IRS detailing line-by-line information from a filed federal tax return.

Lender – Any unrelated lender to an Eligible Holder. See Section 3 for qualifications of a Lender.

Loan Submission Package – The Loan Submission Package referenced in Section 4.3.

MCC – A Mortgage Credit Certificate, as described herein.

MCC Program – The South Carolina State Housing Finance and Development Authority Mortgage Credit Certificate Program, as described herein.

Manufactured Home (Mobile Home) - A manufactured building designed to be used as a single family dwelling unit which has been constructed and labeled indicating compliance with the HUD administered National Manufactured Housing Construction and Safety Standards Act of 1974 (Look for HUD label).⁴²

Manufactured housing (i.e. double-wide) may be financed under the MCC Program provided that it is (1) eligible for mortgage insurance and a 30 year amortization; (2) new, never-occupied; (3) a minimum of 400 square feet (living space); (4) a minimum width in excess of 102 inches; and (5) Permanently Fixed to a permanent foundation.

Mortgagor - The Eligible Holder(s) in a mortgage loan transaction financed with the assistance of a MCC.

Non-Borrower Occupant - Any person(s) age 18 years of age or older who will occupy the property and who will not be secondarily liable on the mortgage.

⁴¹ 24 CFR 5.609

⁴² For eligibility under §25, §25(e)(10) elaborates that the manufactured home must have “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. “

[Online Lender Services (OLS)] - The system made available by the Authority to Lenders for the reservation and confirmation of the MCC in the MCC Program.

Ownership Interest - Ownership Interest means ownership by any means, whether outright or partial, including property subject to a mortgage or other security interest. Ownership Interest includes 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; or purchase by contract for deed (or similar transaction). However, the Authority does not consider Ownership Interest in a timeshare as Ownership Interest. Marital interest, defined as an interest one had only because he/she was married to a person that owned a property, does not meet the definition of Ownership Interest as defined by Section 143 and Section 25 of the Code.

Permanently Fixed - The towing hitch or running gear, including the wheels and axles, has been removed from the Manufactured Home (Mobile Home) and the home has been attached to a permanent foundation (including basement, crawl space and slab types of foundations).

Principal Residence - Housing that the Eligible Holder will occupy as a primary residence. The home should not have more than 15% of the square footage used in a trade or business, or that will not be used as an investment property.⁴³

Prior Home Ownership Interest - The term includes: (1) a single-family house; (2) a condominium or townhouse unit; (3) stock held by a tenant-stockholder in a cooperative housing corporation (defined in Code Section 216(b) (1) and (2)); (4) occupancy of a unit in a two to four unit building owned by the Eligible Holder and (5) any Manufactured Home (Mobile Home).

Program Guide – This Mortgage Credit Certificate Program Guide of the Authority relating to the MCC Program described herein.

Promissory Note – The note relating to the loan and mortgage with respect to a Principal Residence of an Eligible Holder financed with the assistance of an MCC.

Recapture Tax - The potential repayment of a portion of the interest savings that the Eligible Holder receives on an MCC Program mortgage loan. This federal income tax, if applicable, is payable to the federal government through the federal income tax returns.

Related Person - Any family member, including brothers and sisters, spouse, ancestors, and lineal descendants; a corporation or partnership where the Eligible Holder owns more than 50% interest, or as otherwise provided in Code Section 144(a) (3).

Seller – The party that is selling the Eligible Property to the Eligible Holder.

State - The State of South Carolina.

⁴³ §280A, Treas. Reg. 6a.103A-2(d)(3)

Targeted Area - A census tract in which 70% or more of the Households have an income which is 80% or less of the statewide median family income. Eligible Holders purchasing homes in these areas are not subject to the Prior Home Ownership Interest restriction. Targeted Areas are listed in Appendix B.

Treasury Regulations – Regulations adopted by the U.S. Treasury interpreting or relating to provisions of the Code; specific Treasury Regulations referenced herein deal with MCC programs, in general.

Unfinished Square Footage - Square footage in a home that has been left unfinished, but could be used as living space if finished. This usually occurs in split foyer, split level or 1-1/2 story homes and those homes with permanent stairs leading to the unfinished area (i.e., attic, bonus room). If the unfinished area is greater than 25% of the total square footage of the property, the cost to complete must be added to the sale price to determine the total Acquisition Cost.

USDA – The United States Department of Agriculture/Rural Development. The USDA home loan guaranty provides loans in rural areas to finance homes and building sites.

VA – The Veterans Administration - The Servicemen's Readjustment Act of 1944 authorized this agency to administer a variety of benefit programs designed to facilitate the adjustment of returning Veterans to civilian life. The VA home loan guaranty program is designed to encourage Lenders to offer long-term, low down payment mortgages to eligible Veterans by guaranteeing the Lender against some or all loss caused in default by the Eligible Holder.

Veteran - A person who served in active duty of the United States Armed Forces or Reserves and who was discharged or released under conditions other than dishonorable.



South Carolina

STATE HOUSING

Finance and Development Authority

May 15, 2012

Division: **Legal**

Subject: **HOME Conflict of Interest Disclosure**

Commissioner Robert Thomas is also the Executive Director for Southeastern Housing Foundation. Southeastern Housing Foundation has applied for funds from the Authority under the HOME Program. 24 CFR § 92.356 provides guidance as to conflicts of interest within the HOME Program. Pursuant to that section, the Authority must give public disclosure of the nature of the conflict and give opportunity for public comment.



South Carolina

STATE HOUSING

Finance and Development Authority

Division: Development Division

Subject: Oral Reports

1. HOME Update
2. Tax Credit Program Update



South Carolina

STATE HOUSING

Finance and Development Authority

May 15, 2012

Division: **Marketing & Communications**

Subject: **Resolution – Recognizing Homeownership**

A RESOLUTION

RECOGNIZING AND ENDORSING THE MONTH OF JUNE 2012 AS HOMEOWNERSHIP MONTH

WHEREAS, since 1979, the South Carolina State Housing Finance and Development Authority has assisted the citizens of South Carolina in finding quality, safe, and affordable housing by providing financing for competitive, fixed interest loans; and

WHEREAS, the mission of the South Carolina State Housing Finance and Development Authority is to create quality affordable housing opportunities for the citizens of South Carolina through a vision that all South Carolinians have the opportunity to live in safe, decent, and affordable housing; and

WHEREAS, homeownership stimulates our state's economy by creating jobs across numerous industries; and

WHEREAS, the South Carolina State Housing Finance and Development Authority has provided financing for more than 39,236 new homeowner households exceeding 2.4 billion dollars.

NOW, THEREFORE, BE IT RESOLVED that the South Carolina State Housing Finance and Development Authority in a meeting duly assembled, that:

1. The Board of Commissioners of the South Carolina State Housing Finance and Development Authority recognizes the month of June in the year 2012 as Homeownership Month.
2. The Board of Commissioners of the South Carolina State Housing Finance and Development Authority endorses homeownership as a worthy and economically prudent goal.
3. The Board of Commissioners of the South Carolina State Housing Finance and Development Authority encourages all of South Carolina to join with them in recognizing the economic and social benefits that homeownership brings to our state.

STATE OF SOUTH CAROLINA
COUNTY OF LEXINGTON

I, the undersigned Secretary of the South Carolina State Housing Finance and Development Authority (the "Authority"), DO HEREBY CERTIFY that the foregoing is a true, correct, and verbatim copy of a Resolution duly adopted by the Authority at a duly called meeting held on May 15, 2012.

WITNESS MY HAND this 15th day of May 2012.

Secretary, South Carolina State Housing Finance and
Development Authority



South Carolina

STATE HOUSING

Finance and Development Authority

Division: Marketing and Human Resources

Subject: Legislative Outreach Update

The National Council of State Housing Agencies (NCSHA) held its annual Legislative Conference April 23rd – 25th in Washington, DC. Over 200 attendees representing 45 state Housing Finance Agencies (HFAs) across the country and participation of 39 Executive Directors, made this the most widely attended conference to date.

Industry professionals discussed an array of topics, including the federal budget, GSE reform and updates from the U.S. Department of Housing and Urban Development. NCSHA issued a call to action and laid out what HFAs must do to enlist the support of Congress in the challenging economic and political environment that we face.

One of the most important reasons for attending the conference is to meet with members of our Congressional Delegation and their staff to educate them on who we are, what we do and show them why it is so important to their constituency and our state's economy that we have the resources we need to continue helping families access safe, affordable, sustainable homes. We prepared compelling, targeted information about the programs we administer and their impact on our communities and the economy and discussed with each of the Congressional offices.



South Carolina

STATE HOUSING

Finance and Development Authority

May 15, 2012

Division: Legislative Outreach

Subject: National Foreclosure Mitigation Counseling Program Audit Results (Oral Report)



Division: **SC HELP**

Program Update

The volume of new requests for assistance continues to lag behind the pace set in late 2011. In response, SC HELP and Authority Marketing staffs have been focused on outreach events as well as preparing a new marketing campaign for the program.

SC HELP staff is also working closely with FannieMae, Bank of America, JP Morgan/Chase, Wells Fargo, and several other State-HHF programs to design and implement a simplified modification-enabling program. It is anticipated that this program will enable more South Carolina homeowners to obtain permanent or long-term modifications and therefore drive substantially more business through the program.

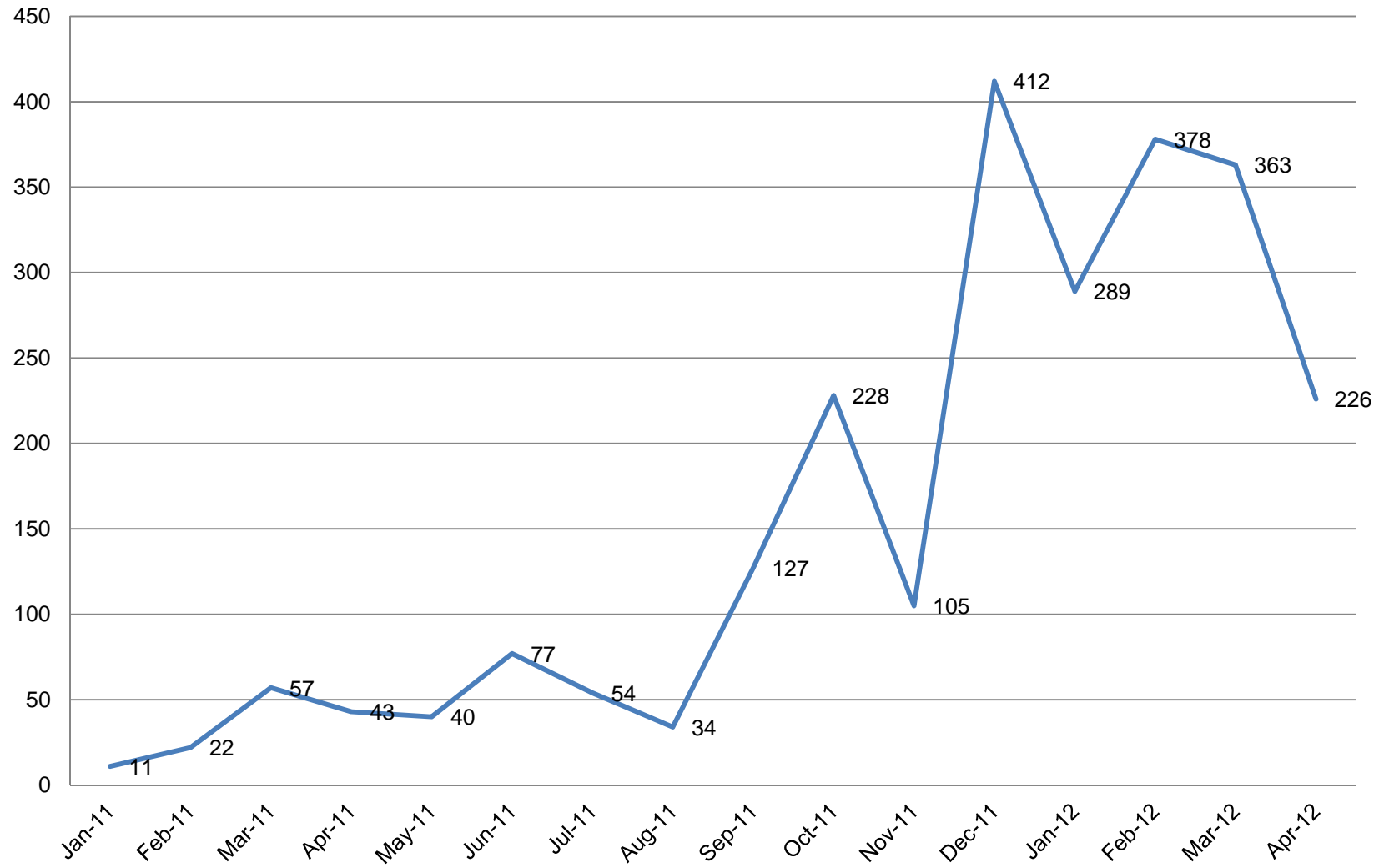
Program Performance Data

Production as of April 30, 2012:

Homeowners Approved & Funded	2,600
Homeowners Approved – Pending	291
Funds Disbursed	\$22,438,929
Additional Funds Committed	\$15,500,000

The following pages shows trend data for approvals and how SC HELP stacks up against the other State HHF programs.

SC HELP Approvals



HHF Production Report

Program Inception Through Q1-2012

Unique Borrowers Approved					Program Assistance Provided					
State	Q3-2011	Q4-2011	Q1-2012	Total Approved	Q3-2011	Q4-2011	Q1-2012	Total Assistance Provided	Original Allocation	% of Allocation
CA	1,347	1,988	2,324	6,681	\$11,485,268	\$19,058,297	\$25,116,058	\$63,746,611	\$1,975,334,096	3.2%
OR	2,836	580	153	4,579	\$17,789,368	\$15,902,711	\$13,727,116	\$49,876,870	\$220,042,786	22.7%
NC	1,200	1,560	1,573	5,258	\$10,894,251	\$14,986,179	\$17,203,531	\$48,922,051	\$482,781,786	10.1%
OH	1,318	1,010	1,096	5,020	\$11,985,439	\$10,797,476	\$14,185,372	\$48,354,497	\$570,395,099	8.5%
FL	1,514	1,492	1,455	4,745	\$4,326,729	\$9,469,895	\$8,449,620	\$20,915,242	\$1,057,839,136	2.0%
SC	244	726	1,026	2,233	\$1,670,046	\$6,889,589	\$10,577,129	\$19,724,561	\$295,431,547	6.7%
MI	759	1,063	1,269	4,165	\$2,763,560	\$4,952,503	\$5,654,244	\$16,133,282	\$498,605,738	3.2%
IL	36	500	1,030	1,569	\$328,992	\$4,455,561	\$10,046,746	\$14,851,009	\$445,603,557	3.3%
KY	471	361	474	1,519	\$2,300,900	\$3,554,689	\$4,293,275	\$11,296,861	\$148,901,875	7.6%
TN	259	323	512	1,267	\$1,888,802	\$2,794,812	\$5,614,127	\$10,858,813	\$217,315,593	5.0%
RI	288	268	309	1,340	\$2,269,483	\$2,511,764	\$3,840,406	\$10,269,649	\$79,351,573	12.9%
AL	533	391	280	1,579	\$3,265,907	\$3,014,378	\$2,610,841	\$10,113,777	\$162,521,345	6.2%
NV	333	234	209	891	\$1,127,052	\$1,697,397	\$2,111,441	\$5,435,583	\$194,026,240	2.8%
GA	193	292	348	872	\$530,233	\$1,195,848	\$2,097,120	\$3,892,567	\$339,255,819	1.1%
IN	46	173	297	546	\$310,672	\$1,134,644	\$2,161,179	\$3,635,792	\$221,694,139	1.6%
DC	31	79	91	263	\$484,305	\$944,576	\$1,537,671	\$3,308,998	\$20,697,198	16.0%
MS	52	118	205	398	\$347,100	\$877,140	\$1,744,793	\$3,077,592	\$101,888,323	3.0%
AZ	109	138	159	484	\$282,363	\$567,575	\$1,134,190	\$2,145,345	\$267,766,006	0.8%
NJ	2	52	117	171	\$3,012	\$215,124	\$752,847	\$970,878	\$300,548,144	0.3%
Total	11,571	11,348	12,927	43,580	\$74,053,481	\$105,020,160	\$132,857,705	\$347,529,979	\$7,600,000,000	4.6%

HHF Production Analysis

Q1-2012 - Production per Employee

State Info		Q4 Production		Production Per FTE	
State	Staff (FTE)	Funds Disbursed	# Assisted	Funds Disbursed	# Assisted
SC	18.5	\$10,577,128.69	1,026	\$571,737	55
NC	52	\$17,203,531.00	1,573	\$330,837	30
OH	44	\$14,185,372.35	1,096	\$322,395	25
OR	47	\$13,727,116.43	153	\$292,066	3
TN	20	\$5,614,126.74	512	\$280,706	26
DC	5.5	\$1,537,670.62	91	\$279,576	17
FL	33	\$8,449,619.67	1,455	\$256,049	44
KY	17	\$4,293,275.15	474	\$252,546	28
MS	8.64	\$1,744,792.60	205	\$201,944	24
IL	56	\$10,046,746.31	1,030	\$179,406	18
AL	17	\$2,610,840.62	280	\$153,579	16
CA	173	\$25,116,057.54	2,324	\$145,180	13
RI	28.6	\$3,840,406.18	309	\$134,280	11
NV	17	\$2,111,440.75	209	\$124,202	12
IN	17.5	\$2,161,179.00	297	\$123,496	17
MI	55	\$5,654,244.43	1,269	\$102,804	23
AZ	16.85	\$1,134,190.36	159	\$67,311	9
GA	41	\$2,097,120.44	348	\$51,149	8
NJ	24.5	\$752,846.58	117	\$30,728	5
TOTAL	692.09	\$132,857,705.46	12,927	\$191,966	19



South Carolina

STATE HOUSING

Finance and Development Authority

May 15, 2012

Division: Chairman

Subject: Oral Report



South Carolina

STATE HOUSING

Finance and Development Authority

May 15, 2012

Division: Executive Director

Subject: Oral Report



South Carolina

STATE HOUSING

Finance and Development Authority

May 15, 2012

Division: Deputy Director

Subject:

1. Palmetto Heroes 2012
2. Homeownership Monthly Reports



News Release

SOUTH CAROLINA STATE HOUSING
FINANCE AND DEVELOPMENT AUTHORITY

Contact: Clayton Ingram
803-896-9520

For Release April 19, 2012

\$10 million Home Buyer Program Will Salute South Carolina Heroes 3.75% Interest Rate and \$5,000 Toward Down Payment Expenses

Today, the South Carolina State Housing Finance and Development Authority (SC State Housing) announced a program designed to help South Carolina law enforcement officers, teachers, firefighters, nurses, veterans and EMS personnel who want to become homeowners.

Buying a first home can be a real challenge, even if you are employed in a noble profession, but with a modest salary. **Palmetto Heroes** will provide low interest home loans to current South Carolina law enforcement, teachers, firefighters, nurses, veterans and EMS personnel who qualify. The \$10 million initiative will also provide another crucial incentive –down payment assistance of up to \$5,000.

“Being able to afford a home is a growing concern for everyone in our state,” said Valarie Williams, SC State Housing’s Executive Director. “It’s important that we salute these Palmetto State heroes and invest in them.” She said the Palmetto Heroes program might even strengthen recruitment and retention in these career choices, vital to our state’s overall wellbeing. “This is just one way SC State Housing can recognize these dedicated individuals who contribute so much to our state.”

Palmetto Heroes is available to law enforcement officers, teachers, firefighters, veterans, nurses, and EMS personnel who are currently certified in their profession, and reside and work in South Carolina or have a contract to begin working here within 60 days of closing on a home.

Eligible Palmetto Heroes home buyers can get a fixed interest rate of **3.75%** on a mortgage through SC State Housing’s Home Buyer Program as well as down payment assistance of up to **\$5,000**. This down payment assistance could even be forgivable over time in some cases, depending on the borrower’s income.

Those who do not qualify for the Palmetto Heroes program may still qualify for one of the other lending programs offered by SC State Housing. The regular first time home buyer’s program is available year round to a broad range of South Carolinians seeking to become homeowners.

Mortgage loans can be up to 30 years and are available through any of SC State Housing’s network of more than 200 participating private sector lenders and brokers statewide. Maximum income limits are based on the median income per county and household composition. The Palmetto Heroes Program may not be used for refinancing.

For more information, contact one of the Realtors[®], banks or mortgage brokers certified in SC State Housing programs. A list is available at the agency’s website: www.schousing.com.

SC State Housing officials hope the term “first-time” will not discourage potential home buyers because the definition is very broad. For example, in 34 *targeted* counties (Abbeville, Allendale, Bamberg, Barnwell, Beaufort, Berkeley, Calhoun, Charleston*, Cherokee, Chester, Chesterfield, Clarendon, Colleton, Darlington,

Dillon, Dorchester, Edgefield, Fairfield, Florence, Georgetown, Hampton, Horry, Jasper, Kershaw, Laurens, Lee, McCormick, Marion, Marlboro, Newberry, Orangeburg, Saluda, Sumter, Union, Williamsburg **County Census Division #53, Ravenel Division*) the provision is waived altogether as long as you do not have title to another home when you close on your new loan. Even in *non-targeted* counties (Aiken, Anderson, Charleston, Greenwood, Greenville, Lancaster, Lexington, Oconee, Pickens, Richland, Spartanburg, York) a first-time home buyer is someone who has not owned a home in the last three years. Also, buyers moving from a non-targeted area into a targeted area may qualify so long as they do not own a home at time of closing and meet the other qualifications for home price and family income.

SC State Housing is a self-supporting agency of state government and does not receive a state appropriation.

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South Carolina

STATE HOUSING

Finance and Development Authority

Homeownership

The following Homeownership Division monthly status reports as of April 30, 2012 are presented for information:

- Monthly and Fiscal YTD Loan Purchase Statistics
- Monthly and Fiscal YTD Portfolio Statistics
- Delinquency Statistics
- Rate Sheet

Monthly Loan Purchase Statistics

Month Ending April 30, 2012

Funding Source	Average Loan Amount	Average Household Income	Beginning Fund Balance (Allocated)	Purchases		New Fund Allocations	Recyled Funds	Ending Balance	Outstanding Reservations	Unreserved Balance
				Volume	Units					
MRB	\$105,276	\$43,854	\$48,324,019	(\$1,894,822)	18	\$0	\$0	\$46,429,197	(\$17,156,233)	\$29,272,964
DPA Repayable	\$4,320	\$46,907	\$1,095,308	(\$108,000)	25	\$0		\$987,308	(\$528,165)	\$459,143
HOME DPA	\$4,059	\$30,736	\$3,079,769	(\$69,000)	17	\$0		\$3,010,769	(\$358,000)	\$2,652,769
Home Voucher	\$0	\$0	\$50,000	\$0	0	\$0		\$50,000	(\$20,000)	\$30,000
TOTAL			\$52,549,096	(\$2,071,822)	60	\$0	\$0	\$50,477,274	(\$18,062,398)	\$32,414,876

UNRESERVED FUNDS	
Series 2011-A HRB US Bank 064	(\$7,613,716)
Series 2011-A HRB US Bank 065	\$2,635,442
Series 2012-1 HRB US Bank 066	\$25,000,000
Series 2012-1 HRB US Bank 067	\$9,251,238
Total	\$29,272,964

July 1,2011 Through April 30, 2012

Funding Source	Beginning Fund Balance (Allocated)	Purchases		New Fund Allocations	Recyled Funds	Ending Balance	Outstanding Reservations	Unreserved Balance
		Volume	Units					
MRB	\$53,441,943	(\$42,012,746)	398	\$35,000,000	\$0	\$46,429,197	(\$17,156,233)	\$29,272,964
DPA Repayable	\$2,273,308	(\$1,286,000)	296	\$0	\$0	\$987,308	(\$528,165)	\$459,143
HOME DPA	\$3,637,736	(\$656,500)	155	\$0	\$29,533	\$3,010,769	(\$358,000)	\$2,652,769
HOME Voucher	\$60,000	(\$10,000)	1	\$0	\$0	\$50,000	(\$20,000)	\$30,000
TOTAL	\$59,412,987	(\$43,965,246)	850	\$35,000,000	\$29,533	\$50,477,274	(\$18,062,398)	\$32,414,876

Monthly Portfolio Statistics

Month Ending April 30, 2012

Loan Type	New Purchases		Payoffs		Foreclosures		Net Change		Ending Balance	
	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units
First Mortgage	\$79,009	1	(\$4,330,626)	(56)	(\$724,922)	(9)	(\$4,976,539)	(64)	\$655,820,292	9,162
Second Mortgage	\$177,000	42	(\$35,742)	(41)	(\$10,907)	(9)	\$130,351	(8)	\$14,846,309	6,145
Other	\$0	0					\$0	0	\$0	0
TOTAL	\$256,009	43	(\$4,366,368)	(97)	(\$735,829)	(18)	(\$4,846,188)	(72)	\$670,666,601	15,307

YTD Portfolio Statistics

July 1, 2011 Through April 30, 2012

Loan Type	New Purchases		Payoffs		Foreclosures		Net Change		Ending Balance	
	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units
First Mortgage	\$688,590	7	(\$31,908,659)	(428)	(\$10,650,965)	(132)	(\$41,871,034)	(553)	\$655,820,292	9,162
Second Mortgage	\$1,952,500	452	(\$437,803)	(405)	(\$171,638)	(107)	\$1,343,059	(60)	\$14,846,309	6,145
Other	\$0	0					\$0	0		0
TOTAL	\$2,641,090	459	(\$32,346,462)	(833)	(\$10,822,603)	(239)	(\$40,527,976)	(613)	\$670,666,601	15,307

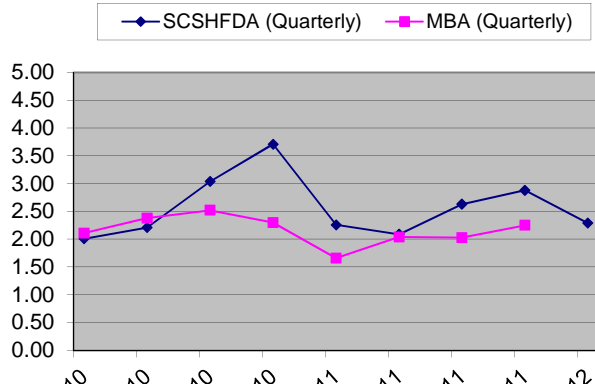
Portfolio by Servicer

Servicer	First Mortgages Serviced	Outstanding Principle Balance	Second Mortgages Serviced	Outstanding Principle Balance	Total Principle Balance of Loans Serviced
State Housing	9,162	\$655,820,291.62	6,145	\$14,846,309.06	670,666,601
Total All Servicers	9,162	\$655,820,291.62	6,145	\$14,846,309.06	670,666,601

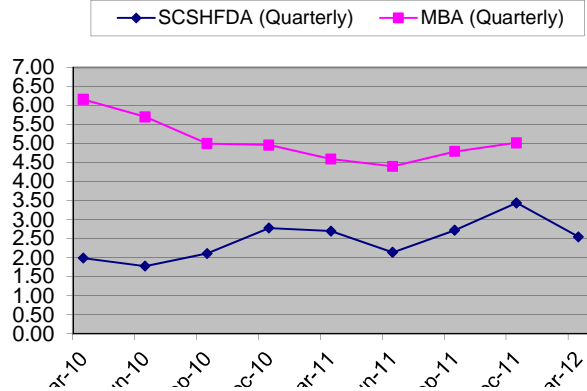
DELINQUENCY REPORT

				60 Day				90 Day				Foreclosures				Bankruptcies		
				SCSHFDA (Monthly)	SCSHFDA (Quarterly)	MBA (Quarterly)		SCSHFDA (Monthly)	SCSHFDA (Quarterly)	MBA (Quarterly)		SCSHFDA (Monthly)	SCSHFDA (Quarterly)	MBA		SCSHFDA (Monthly)	SCSHFDA (Quarterly)	MBA
2011	Jan-11	Q.1 2011		3.02	2.26	1.66		3.70	2.70	4.59		2.25	2.37	3.04		1.14	1.10	N/A
	Feb-11			2.17				2.36				2.47				1.07		
	Mar-11			1.60				2.05				2.38				1.09		
	Apr-11	Q.2 2011		2.11	2.09	2.04		1.89	2.14	4.40		2.44	2.53	2.93		1.11	1.12	N/A
	May-11			2.03				2.40				2.50				1.08		
	Jun-11			2.12				2.14				2.64				1.16		
	Jul-11	Q.3 2011		2.65	2.63	2.03		2.41	2.72	4.79		2.46	2.57	3.12		1.14	1.19	N/A
	Aug-11			2.79				2.52				2.59				1.22		
	Sep-11			2.46				3.22				2.66				1.21		
	Oct-11	Q.4 2011		2.86	2.88	2.25		3.43	3.44	5.02		2.41	2.58	3.54		1.21	1.21	N/A
	Nov-11			3.06				3.65				2.62				1.21		
	Dec-11			2.72				3.25				2.72				1.21		
2012	Jan-12	Q.1 2012		2.94	2.29	N/A		3.39	2.55	N/A		2.73	2.76	N/A		1.22	1.20	N/A
	Feb-12			2.11				2.51				2.84				1.20		
	Mar-12			1.83				1.75				2.71				1.19		
	Apr-12	Q.2 2012		2.19	2.19	N/A		1.85	1.85	N/A		2.62	2.62	N/A		1.20	1.20	N/A
	May-12																	
	Jun-12																	

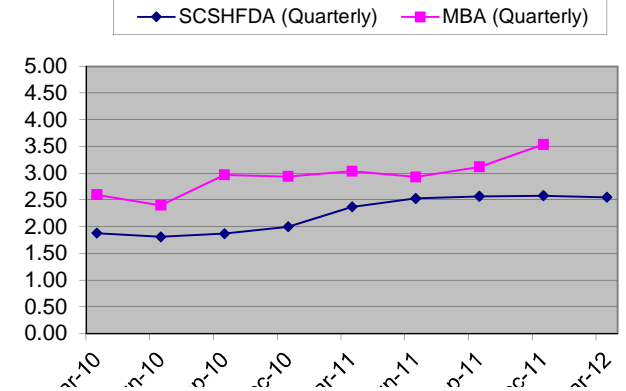
60 Day Delinquencies



90 Day Delinquencies



Foreclosures





South Carolina State Housing Finance and Development Authority

300-C Outlet Pointe Blvd., Columbia, South Carolina 29210

Telephone: (803) 896-9396

FAX: (803) 896-8589

RATE SHEET FOR LENDERS

Effective Date: 3:00 PM May 4, 2012

CATEGORY I Above 80% of Median Income See Income Charts for each County	DOWN PAYMENT ASSISTANCE AVAILABLE	First Mortgage Rate
<i>First-Time Homebuyer Program</i>	\$4,000 Repayable	4.00
<i>Single Parent Program</i> (First time homebuyer requirement waived)	\$4,000 Repayable	4.00
<i>Disability Program</i> (First time homebuyer requirement waived)	\$4,000 Repayable	4.00

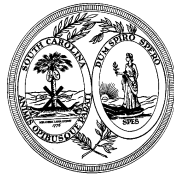
CATEGORY II 80% and below of Median Income See Income Charts for each County	DOWN PAYMENT ASSISTANCE AVAILABLE	First Mortgage Rate
<i>First-Time Homebuyer Program</i>	\$4,000 Forgivable	4.000
<i>Single Parent Program</i> (First time homebuyer requirement waived)	\$4,000 Forgivable	4.000
<i>Disability Program</i> (First time homebuyer requirement waived)	\$4,000 Forgivable	4.000

Note: Category III has been merged into Category II

All the rates, fees, and terms on this sheet are for informational purposes for participating lenders only and are subject to change without notice. The customer's rate will be the rate that is in effect on the date and time that the reservation is received by the Authority. For the APR (annual percentage rate), please contact one of our participating lending partners.

FOR ADDITIONAL INFORMATION SEE OUR WEBSITE

www.schousing.com



South Carolina State Housing Finance and Development Authority

300-C Outlet Pointe Blvd., Columbia, South Carolina 29210

Telephone: (803) 896-9396

FAX: (803) 896-8589

RATE SHEET FOR LENDERS **PALMETTO HEROES PROGRAM**

Effective Date: **3:00 PM** **May 4, 2012**

CATEGORY I Above 80% of Medium Income See Income Charts for each County	DOWN PAYMENT ASSISTANCE AVAILABLE	First Mortgage Rate
<i>Palmetto Heroes Homebuyer Program</i>	\$5,000 Repayable	3.750

CATEGORY II 50.01% to 80% of Median Income See Income Charts for each County	DOWN PAYMENT ASSISTANCE AVAILABLE	First Mortgage Rate
<i>Palmetto Heroes Homebuyer Program</i>	\$5,000 Forgivable	3.750

FUNDS REMAINING - 2012 Palmetto Heroes Program \$9.1 million

All the rates, fees, and terms on this sheet are for informational purposes for participating lenders only and are subject to change without notice. The customer's rate will be the rate that is in effect on the date and time that the reservation is received by the Authority. For the APR (annual percentage rate), please contact one of our participating lending partners.

FOR ADDITIONAL INFORMATION SEE OUR WEBSITE

www.schousing.com



Division: **Human Resources**

Subject: **Monthly Report**

Total Authorized Permanent Positions	145
Filled Permanent Positions	121
Vacancies	24
Temporaries	13

New Hires, Promotions & Transfers

Division\Department	Employee Name	Job Title	Effective Date
Procurement	Reggie Bell	Procurement Director	5/8/12
Compliance Monitoring	Reginald Mack	Compliance Audits Manager	5/17/12

Resignations & Retirements

Division\Department	Employee Name	State Job Title	Effective Date
Voucher Program	Chris Fulks	Housing Program Coordinator	3/23/12
Compliance Monitoring	Laura Tanner	Compliance Audits Manager	3/30/12
Information Technology	Mary Clark	Administrative Assistant	4/2/12

Job Postings

Department/Title	State Job Title	Vacancy Posting Dates
Development: Program Coordinator	Program Coordinator I	5/4/12 to 5/18/12
Development: Financial Analyst	Accountant/Fiscal Analyst II	5/4/12 to 5/18/12
Voucher: Housing Program Coordinator	Program Coordinator I	5/4/12 to 5/18/12

Announcements:

SCSHFDA Employee Appreciation Luncheon, Seven Oaks Park, May 4, 2012

State & Agency Service Awards:

20 years of State Service Certificate

Richard Clark
Marian Whitehead

10 years of State Service Certificate

Dennis Cokley

10 years of SC State Housing Service Brick

Rhonda Smith
Cheryl Longshore

**10 years of State Service Certificate & 10
years of SC State Housing Service Brick**

Carl Bowen
Jennifer Cogan
Donna Fletcher
Matt Rivers
Dorothy Sutton



Division: Marketing & Human Resources

Subject: Marketing & Communications Update

Media appearances:

- AARP newsletter SC HELP article (March 2)
- Glory 98.5 FM (March 7)
- PA Bennett radio show (March 7, 14, 21 & 28, April 4, 11, 18 & 25)

Exhibits & Events:

- Greenville Home Show
- SC WORKS exhibit at Richland County Library
- Carolina Classic Home Show, Columbia, SC
- Charleston Home Show
- Arcadia Groundbreaking ceremony, Columbia, SC (single family housing development)
- 2012 Palmetto Affordable Housing Forum
- 2012 Palmetto Heroes Program Launch

Social Media Update:

- Twitter Followers: 1,285
- Facebook Likes: 190
- LinkedIn Members: 94
- 51 Constant Contact mailings



Division: Marketing and Human Resources

Subject: Legislative Outreach Update

Outreach & Awareness Presentations:

- Community Forum hosted by Representative Joe Neal in Chester
- Community Forum hosted by Representative Gilda Cobb-Hunter in Santee
- SC HELP presentations:
 - SC Baptist Education and Missionary Convention Board, annual meeting
 - Senate Banking and Insurance Committee
 - SC Municipal Human Resources Association Spring Meeting
 - SC Community Development Association Spring Meeting

South Carolina State Housing Finance and Development Authority
Balance Sheet--Proprietary Funds
Unaudited Results

	General Operating Fund	Single Family Finance Programs	Program Fund	As of March 31	
				2012	2011
Assets					
Cash and cash equivalents	\$ 18,375,126	\$ 182,587,666	\$ 9,756,937	\$ 210,719,729	\$ 223,652,139
Accounts receivable	3,545,843	114,067	-	3,659,910	3,478,312
Investments, at market	-	149,163,369	-	149,163,369	92,819,095
Loans receivable, net of unamortized discounts	76,860,230	654,277,342	10,977,118	742,114,690	810,717,172
Interest receivable:					
Loans	343,649	5,748,905	19,640	6,112,194	6,110,157
Deposits and investments	-	1,317,938	28,148	1,346,086	741,733
Prepayments	541,456	-	-	541,456	620,044
Unamortized bond issuance cost	-	6,722,899	-	6,722,899	7,171,136
Furniture and equipment, net of depreciation	753,905	-	-	753,905	678,784
Total Assets	<u>100,420,209</u>	<u>999,932,186</u>	<u>20,781,843</u>	<u>1,121,134,238</u>	<u>1,145,988,572</u>
Liabilities and Retained Earnings					
Liabilities					
Accounts payable and accrued expenses	1,512,802	1,436,331	135,550	3,084,683	2,810,158
Bonds payable, net of unamortized discounts	-	767,778,023	-	767,778,023	803,210,634
Notes Payable	-	-	-	-	-
Interest payable on bonds and notes	-	9,072,212	-	9,072,212	9,096,538
Mortgage escrows	3,963,129	-	-	3,963,129	3,631,216
Other	247,314	157,375	2,195	406,884	1,131,018
Total Liabilities	<u>5,723,245</u>	<u>778,443,941</u>	<u>137,745</u>	<u>784,304,931</u>	<u>819,879,564</u>
Retained Earnings					
Reserved for debt service	-	12,597,211	-	12,597,211	6,932,494
Reserved for bond reserves	-	8,523,517	-	8,523,517	10,860,077
Designated for special programs	-	200,367,517	20,644,098	221,011,615	214,173,064
Undesignated	94,696,964	-	-	94,696,964	94,143,373
Total Retained Earnings	<u>94,696,964</u>	<u>221,488,245</u>	<u>20,644,098</u>	<u>336,829,307</u>	<u>326,109,008</u>
Total Liabilities and Retained Earnings	<u>\$ 100,420,209</u>	<u>\$ 999,932,186</u>	<u>\$ 20,781,843</u>	<u>\$ 1,121,134,238</u>	<u>\$ 1,145,988,572</u>

South Carolina State Housing Finance and Development Authority
Statement of Revenues, Expenses and Changes In Retained Earnings--Proprietary Funds
Unaudited Results

	General Operating Fund	Single Family Finance Programs	Program Fund	Period Ending March 31	
				2012	2011
Operating Revenues					
Interest on loans	\$ 1,173,200	\$ 29,046,213	\$ 125,669	\$ 30,345,082	\$ 33,784,306
Interest on deposits and investments	742	5,956,431	5,414	5,962,587	3,417,233
Administrative fees	9,213,447	-	-	9,213,447	9,922,139
Other	325,807	436,533	-	762,340	940,230
Total Operating Revenues	<u>10,713,196</u>	<u>35,439,177</u>	<u>131,083</u>	<u>46,283,456</u>	<u>48,063,908</u>
Operating Expenses					
Interest expense for bonds and notes	-	27,264,464	-	27,264,464	28,694,031
Program expenses	937,766	3,279,395	-	4,217,161	2,901,912
General and administrative expenses	7,759,070	-	-	7,759,070	8,131,773
Bond issuance cost amortization	-	343,688	-	343,688	388,449
Depreciation	195,552	-	-	195,552	203,799
Other	-	436,192	-	436,192	232,175
Total Operating Expenses	<u>8,892,388</u>	<u>31,323,739</u>	<u>-</u>	<u>40,216,127</u>	<u>40,552,139</u>
Operating Income (Loss)	<u>1,820,808</u>	<u>4,115,438</u>	<u>131,083</u>	<u>6,067,329</u>	<u>7,511,769</u>
Nonoperating Revenues (Expenses)					
Federal grant and contract revenue	106,665,456	-	-	106,665,456	179,488,481
HUD housing assistance payments and grant awards disbursed	(104,888,862)	-	(174,964)	(105,063,826)	(175,077,137)
Other grant awards disbursed	-	-	-	-	(1,710,577)
Total Nonoperating Revenue (Expenses) - Net	<u>1,776,594</u>	<u>-</u>	<u>(174,964)</u>	<u>1,601,630</u>	<u>2,700,767</u>
Income (Loss) Before Operating Transfers	3,597,402	4,115,438	(43,881)	7,668,959	10,212,536
Transfers					
Transfers among SHA funds	(1,810,000)	1,810,000	-	-	-
Transfers - Housing Trust Fund	-	-	-	-	-
Transfers - State General Fund	-	-	-	-	-
Income (Loss) Before Extraordinary Item	<u>1,787,402</u>	<u>5,925,438</u>	<u>(43,881)</u>	<u>7,668,959</u>	<u>10,212,536</u>
Extraordinary Items					
Extraordinary loss on early extinguishment of debt	-	-	-	-	-
Net Income (Loss)	<u>1,787,402</u>	<u>5,925,438</u>	<u>(43,881)</u>	<u>7,668,959</u>	<u>10,212,536</u>
Retained Earnings					
At beginning of fiscal year	92,909,562	215,562,807	20,687,979	329,160,348	315,896,472
Retained Earnings at End of Period	<u>\$ 94,696,964</u>	<u>\$ 221,488,245</u>	<u>\$ 20,644,098</u>	<u>\$ 336,829,307</u>	<u>\$ 326,109,008</u>

South Carolina State Housing Finance and Development Authority
Housing Trust Fund
Statement of Assets, Liabilities and Fund Balance--Governmental Fund
Unaudited Result:

	As of March 31	
	2012	2011
Assets		
Cash and cash equivalents	\$ 6,737,043	\$ 8,905,627
Accounts receivable	877,715	764,391
Loans receivable, net of unamortized discounts	10,236,447	11,899,952
Interest receivable:		
Loans	50,205	99,045
Deposits and investments	-	-
Total Assets	17,901,410	21,669,015
Liabilities and Fund Balance		
Liabilities		
Mortgage escrows	-	-
Total Liabilities	-	-
Fund Balance		
Unpaid Grants/Awards	5,242,215	7,102,228
Reserved for Housing Trust Programs	12,659,195	14,566,787
Total Fund Balance	17,901,410	21,669,015
Total Liabilities and Fund Balance	\$ 17,901,410	\$ 21,669,015

South Carolina State Housing Finance and Development Authority
Housing Trust Fund
Statement of Revenues, Expenses and Changes In Fund Balance--Governmental Fund
Unaudited Result:

	As of March 31	
	2012	2011
Operating Revenues		
Interest on loans	\$ 61,300	\$ 161,503
Interest on deposits and investments	3,438	11,155
Documentary stamp fees	3,881,825	4,100,959
Total Operating Revenues	3,946,563	4,273,617
Expenditures		
Grant disbursements for Housing Trust Programs	6,418,587	5,640,704
Total Expenditures	6,418,587	5,640,704
Revenues Over (Under) Expenditures	(2,472,024)	(1,367,087)
Transfers		
Transfers To Other Funds	-	-
Transfers From State General Fund	-	-
Fund Balance		
At beginning of fiscal year	20,373,434	23,036,102
Fund Balance at End of Period	\$ 17,901,410	\$ 21,669,015

South Carolina State Housing Finance and Development Authority
SC HELP
Statement of Assets, Liabilities and Fund Balance--Governmental Fund
Unaudited Results

	As of March 31	
	2012	2011
Assets		
Cash and cash equivalents	\$ 5,533,867	\$ 6,437,472
Accounts receivable	4,450	-
Loans receivable, net of unamortized discounts	-	-
Interest receivable:		
Loans	-	-
Deposits and investments	-	-
Total Assets	5,538,317	6,437,472
Liabilities and Fund Balance		
Liabilities		
Accounts payable and accrued expenses	910,239	112,148
Other - deferred revenue	4,628,078	6,325,324
Total Liabilities	5,538,317	6,437,472
Fund Balance		
Undesignated	-	-
Total Fund Balance	-	-
Total Liabilities and Fund Balance	\$ 5,538,317	\$ 6,437,472

South Carolina State Housing Finance and Development Authority
SC HELP
Statement of Revenues, Expenses and Changes In Fund Balance--Governmental Fund
Unaudited Results

	Period Ending March 31	
	2012	2011
Operating Revenues		
Administrative fees	\$ 3,944,279	\$ 994,433
Interest on deposits and investments	458	1,214
Other	12,788	
Total Operating Revenues	<u>3,957,525</u>	<u>995,647</u>
Operating Expenditures		
General and administrative expenses	<u>3,957,525</u>	<u>995,647</u>
Total Expenditures	<u>3,957,525</u>	<u>995,647</u>
Operating Revenues Over (Under) Expenditures	-	-
Nonoperating Revenues (Expenses)		
Federal grant and contract revenue	18,898,666	180,243
HUD housing assistance payments and grant awards disbursed	(18,898,666)	(180,243)
Total Nonoperating Revenue (Expenses) - Net	<u>-</u>	<u>-</u>
Total Revenues Over (Under) Expenditures	-	-
Transfers		
Transfers To Other Funds	-	-
Transfers From State General Operating Fund	-	-
Fund Balance		
At beginning of fiscal year	-	-
Fund Balance at End of Period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

South Carolina State Housing Finance and Development Authority
Total Agency
Budget vs Actual
Unaudited - March 31, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-to-Date Budget</u>	<u>Year-to-Date Actual</u>	<u>Variance</u>
Revenue Sources:					
Interest on Loans	3,800,000	3,800,000	2,850,000	1,301,920	(1,548,080)
Administrative Fees	11,112,105	11,112,105	8,334,079	7,451,134	(882,945)
Federal Program Revenue	155,537,153	155,537,153	116,652,865	106,575,669	(10,077,196)
Other Revenue	-	-	-	48,161	48,161
Total Revenue Sources	<u>170,449,258</u>	<u>170,449,258</u>	<u>127,836,947</u>	<u>115,376,884</u>	<u>(12,460,060)</u>
Expenses:					
Payroll--Permanent Employees	6,774,312	6,754,312	5,065,736	4,391,922	673,814
Payroll--Temporary Employees	452,750	472,750	354,563	198,944	155,619
Payroll--Per Diem	4,500	4,500	3,375	1,995	1,380
Employee Benefits	2,220,052	2,220,052	1,665,040	1,413,490	251,550
Contractual Services	2,327,180	2,547,180	1,910,386	814,779	1,095,607
Supplies	449,738	449,738	337,302	198,270	139,032
Rent & Other Fixed Fees	1,462,765	1,462,765	1,097,073	397,085	699,988
Travel	487,403	487,403	365,553	190,892	174,661
Equipment	947,374	947,374	710,531	-	710,531
Depreciation	-	-	-	195,552	(195,552)
Program Payments/Allocations	33,387,153	33,167,153	24,875,365	10,452,253	① 14,423,112
Housing Assistance Payments	128,250,000	128,250,000	96,187,500	94,519,481	1,668,019
Total Expenses	<u>176,763,227</u>	<u>176,763,227</u>	<u>132,572,424</u>	<u>112,774,663</u>	<u>19,797,761</u>
Transfers from (to) Other Departments:					
Transfer from Single Family-Operations	1,364,306	1,364,306	1,023,230	-	(1,023,230)
Transfer from Single Family-Special Initiatives	-	-	-	-	-
Transfer from Programs-Special Initiatives	1,890,000	1,890,000	1,417,500	111,514	(1,305,986)
Transfer from Programs-Operations	5,646,141	5,646,141	4,234,609	5,734,642	1,500,033
Transfer to Operations-Programs	(2,835,192)	(2,835,192)	(2,126,394)	(6,092,976)	(3,966,582)
Transfer to HTF-Programs	248,714	248,714	186,532	246,820	60,288
Transfer from Off STARS Servicing Account	-	-	-	-	-
Total Transfers	<u>6,313,969</u>	<u>6,313,969</u>	<u>4,735,477</u>	<u>-</u>	<u>(4,735,477)</u>
Gain (Loss)	-	-	-	2,602,221	

① During the current fiscal year the Authority has purchased mortgages totaling \$1,590,805 as follows:
\$ 211,185 using Earned Income funds
\$ 185,620 using HOME funds
\$1,194,000 using Program funds.

Although budgeted as expenses in the corresponding category above, these mortgages have been appropriately reclassified to loans receivable in the balance sheet of the Authority.

South Carolina State Housing Finance and Development Authority
1-Development & Rental Assistance
Budget vs Actual
Unaudited - March 31, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-to-Date Budget</u>	<u>Year-to-Date Actual</u>	<u>Variance</u>
Revenue Sources:					
Interest on Loans	2,000,000	2,000,000	1,500,000	862,741	(637,259)
Administrative Fees	9,609,105	9,609,105	7,206,829	7,111,518	(95,311)
Federal Program Revenue	153,537,153	153,537,153	115,152,865	106,575,669	(8,577,196)
Other Revenue	-	-	-	48,161	48,161
Total Revenue Sources	<u>165,146,258</u>	<u>165,146,258</u>	<u>123,859,694</u>	<u>114,598,089</u>	<u>(9,261,605)</u>
Expenses:					
Payroll--Permanent Employees	3,302,185	3,282,185	2,461,640	1,925,330	536,310
Payroll--Temporary Employees	178,000	198,000	148,500	64,454	84,046
Employee Benefits	1,089,253	1,089,253	816,940	617,172	199,768
Contractual Services	723,000	843,000	632,250	333,427	298,823
Supplies	125,420	125,420	94,064	55,773	38,291
Rent & Other Fixed Fees	1,114,496	1,114,496	835,871	156,400	679,471
Travel	318,913	318,913	239,185	116,214	122,971
Equipment	171,360	171,360	128,520	-	128,520
Allocations	27,287,153	25,867,153	19,400,365	8,965,273 ①	10,435,092
Program Payments/Allocations - TCAP	-	1,300,000	975,000	1,296,382	(321,382)
Program Payments/Allocations - TC Exchange	-	-	-	-	-
Housing Assistance Payments	128,250,000	128,250,000	96,187,500	94,519,481	1,668,019
Total Expenses	<u>162,559,780</u>	<u>162,559,780</u>	<u>121,919,835</u>	<u>108,049,906</u>	<u>13,869,929</u>
Transfers from (to) Other Departments:					
Transfer to HTF-Operations	248,714	248,714	186,535	246,820	60,285
Transfer from Programs-Operations	(2,835,192)	(2,835,192)	(2,126,394)	(6,092,976)	(3,966,582)
Total Transfers	<u>(2,586,478)</u>	<u>(2,586,478)</u>	<u>(1,939,859)</u>	<u>(5,846,156)</u>	<u>(3,906,297)</u>
Gain (Loss)	-	-	-	702,027	

① The Authority has purchased mortgages totaling \$185,620 using HOME funds during this fiscal year. Although budgeted as expenses under Allocations, these mortgages have been appropriately reclassified to assets and appear as loans receivable in the balance sheet of the Authority.

South Carolina State Housing Finance and Development Authority
2-Homeownership
Budget vs Actual
Unaudited - March 31, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-to-Date Budget</u>	<u>Year-to-Date Actual</u>	<u>Variance</u>
Revenue Sources:					
Interest on Loans	600,000	600,000	450,000	310,459	(139,541)
Other Revenue	-	-	-	-	-
Total Revenue Sources	<u>600,000</u>	<u>600,000</u>	<u>450,000</u>	<u>310,459</u>	<u>(139,541)</u>
Expenses:					
Payroll--Permanent Employees	1,277,090	1,277,090	957,818	907,342	50,476
Payroll--Temporary Employees	192,500	192,500	144,375	100,222	44,153
Employee Benefits	420,365	420,365	315,274	306,879	8,395
Contractual Services	640,130	640,130	480,098	177,329	302,769
Supplies	88,500	88,500	66,375	44,508	21,867
Rent & Other Fixed Fees	109,469	109,469	82,102	63,235	18,867
Travel	38,990	38,990	29,243	11,961	17,282
Equipment	485,414	485,414	364,061	-	364,061
Allocations	1,100,000	1,100,000	825,000	15,634 ①	809,366
Total Expenses	<u>4,352,458</u>	<u>4,352,458</u>	<u>3,264,346</u>	<u>1,627,110</u>	<u>1,637,236</u>
Transfers from Other Departments:					
Transfer from Single Family-Operations	683,016	683,016	512,262	-	(512,262)
Transfer to Program Fund-Special Initiatives	-	-	-	-	-
Transfer from Programs-Operations	3,069,442	3,069,442	2,302,084	1,316,651	(985,433)
Total Transfers	<u>3,752,458</u>	<u>3,752,458</u>	<u>2,814,346</u>	<u>1,316,651</u>	<u>(1,497,695)</u>
Gain (Loss)	-	-	-	-	

① The Authority has purchased mortgages totaling \$211,185 using Earned Income funds during this fiscal year. Although budgeted as expenses under Allocations, these mortgages have been appropriately reclassified to assets and appear as loans receivable in the balance sheet of the Authority.

South Carolina State Housing Finance and Development Authority
3-Executive
Budget vs Actual
Unaudited - March 31, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-to-Date Budget</u>	<u>Year-to-Date Actual</u>	<u>Variance</u>
Revenue Sources:					
Interest on Loans	1,200,000	1,200,000	900,000	128,720	(771,280)
Administrative Fees	1,458,000	1,458,000	1,093,500	303,760	(789,740)
Housing Assistance Revenue	2,000,000	2,000,000	1,500,000	-	(1,500,000)
Total Revenue Sources	<u>4,658,000</u>	<u>4,658,000</u>	<u>3,493,500</u>	<u>432,480</u>	<u>(3,061,020)</u>
Expenses:					
Payroll--Permanent Employees	794,635	794,635	595,976	554,455	41,521
Payroll--Temporary Employees	35,750	35,750	26,813	5,651	21,162
Payroll--Per Diem	4,500	4,500	3,375	1,995	1,380
Employee Benefits	253,824	253,824	190,368	163,599	26,769
Contractual Services	402,250	502,250	376,688	66,493	310,195
Supplies	128,993	128,993	96,745	47,503	49,242
Rent & Other Fixed Fees	114,280	114,280	85,710	86,992	(1,282)
Travel	80,000	80,000	60,000	44,519	15,481
Equipment	10,000	10,000	7,500	-	7,500
Depreciation	-	-	-	189,299	(189,299)
Program Payments	5,000,000	4,900,000	3,675,000	174,964	① 3,500,036
Total Expenses	<u>6,824,232</u>	<u>6,824,232</u>	<u>5,118,175</u>	<u>1,335,470</u>	<u>3,782,705</u>
Transfers from Other Departments:					
Transfer from Single Family-Operations	53,021	53,021	39,766	-	(39,766)
Transfer from Single Family-Special Initiatives	-	-	-	-	-
Transfer from Programs-Special Initiatives	1,890,000	1,890,000	1,417,500	111,514	(1,305,986)
Transfer from Programs-Operations	223,211	223,211	167,409	2,691,670	2,524,261
Total Transfers	<u>2,166,232</u>	<u>2,166,232</u>	<u>1,624,675</u>	<u>2,803,184</u>	<u>1,178,509</u>
Gain (Loss)	-	-	-	1,900,194	

① The Authority has purchased mortgages totaling \$988,000 using Program funds during this fiscal year. Although budgeted as expenses under Allocations, these mortgages have been appropriately reclassified to assets and appear as loans receivable in the balance sheet of the Authority.

South Carolina State Housing Finance and Development Authority
4-Support Services
Budget vs Actual
Unaudited - March 31, 2012

	Original Budget	Revised Budget	Year-to-Date Budget	Year-to-Date Actual	Variance
Revenue Sources:					
Administrative Fees	45,000	45,000	33,750	35,856	2,106
Total Revenue Sources	<u>45,000</u>	<u>45,000</u>	<u>33,750</u>	<u>35,856</u>	<u>2,106</u>
Expenses:					
Payroll--Permanent Employees	759,910	759,910	569,933	590,833	(20,900)
Payroll--Temporary Employees	12,500	12,500	9,375	3,304	6,071
Employee Benefits	249,155	249,155	186,867	193,185	(6,318)
Contractual Services	425,800	425,800	319,350	207,312	112,038
Supplies	91,825	91,825	68,868	41,516	27,352
Rent & Other Fixed Fees	88,975	88,975	66,731	69,179	(2,448)
Travel	35,500	35,500	26,625	8,998	17,627
Equipment	275,600	275,600	206,700	-	206,700
Depreciation	-	-	-	6,253	(6,253)
Total Expenses	<u>1,939,265</u>	<u>1,939,265</u>	<u>1,454,449</u>	<u>1,120,580</u>	<u>333,869</u>
Transfers from Other Departments:					
Transfer from Single Family-Operations	399,896	399,896	299,922	-	(299,922)
Transfer from Programs-Operations	1,494,369	1,494,369	1,120,777	1,084,724	(36,053)
Total Transfers	<u>1,894,265</u>	<u>1,894,265</u>	<u>1,420,699</u>	<u>1,084,724</u>	<u>(335,975)</u>
Gain (Loss)	-	-	-	-	

South Carolina State Housing Finance and Development Authority
5-Finance
Budget vs Actual
Unaudited - March 31, 2012

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-to-Date Budget</u>	<u>Year-to-Date Actual</u>	<u>Variance</u>
Revenue Sources:					
Administrative Fees	-	-	-	-	-
Total Revenue Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
Payroll--Permanent Employees	640,492	640,492	480,369	413,962	66,407
Payroll--Temporary Employees	34,000	34,000	25,500	25,313	187
Employee Benefits	207,455	207,455	155,591	132,655	22,936
Contractual Services	136,000	136,000	102,000	30,218	71,782
Supplies	15,000	15,000	11,250	8,970	2,280
Rent & Other Fixed Fees	35,545	35,545	26,659	21,279	5,380
Travel	14,000	14,000	10,500	9,200	1,300
Equipment	5,000	5,000	3,750	-	3,750
Total Expenses	<u>1,087,492</u>	<u>1,087,492</u>	<u>815,619</u>	<u>641,597</u>	<u>174,022</u>
Transfers from Other Departments:					
Transfer from Single Family-Operations	228,373	228,373	171,280	-	(171,280)
Transfer from Programs-Operations	859,119	859,119	644,339	641,597	(2,742)
Total Transfers	<u>1,087,492</u>	<u>1,087,492</u>	<u>815,619</u>	<u>641,597</u>	<u>(174,022)</u>
Gain (Loss)	-	-	-	-	