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Tax credit program gives homebuyers a break

By **CONNIE POTTER**

SPECIAL WRITER

As a school teacher, Ajai Huja knows the importance of doing homework. So when he and his wife, Christin, decided to buy their first home, they did some legwork first that will save them hundreds of dollars every year.

By taking a homeownership class through the Portland Housing Center, they learned about the Mortgage Credit Certificate Program, a tax credit that's available for first-time homebuyers in Portland. The MCC reduces the buyers' federal income taxes as long as they keep the loan and continue to occupy the home as their primary residence.

For Ajai and Christin, their tax credit amounts to \$1,734 per year.

"It's quite a gift," said Christin, who works at a teen-mom program and attends graduate school at Portland State University.

"It's free money," added Ajai, a learning specialist in the Centennial School District.

The MCC program is available to first-time buyers (defined as not having owned a home in the past three years) who meet income guidelines. The annual income limit for one- to two-person households is \$71,200; for three or more persons, it's \$81,880.

Other requirements are that the home must be located within Portland city limits and have a maximum purchase price of \$454,909.

The Hujas had been living in a small apartment in Hong Kong, where they taught at an international school. They were ready to buy a house of their own with a little elbow room.

Erik Blender, a Prudential Northwest Properties broker who helped the couple close on their 1906 bungalow, said about one-third of his first-time buyers are looking for this program. He considers the program a bigger incentive than the \$8,000 one-time federal tax credit for first-time buyers.

"That was here today, gone tomorrow," said Blender. "The mortgage credit program pays back over several years."

Buyers receive an annual tax credit of 20 percent of the total interest paid that year on their loan. As the amount of interest paid on the mortgage declines, so does the credit.

If, for example, a buyer obtained a home loan of \$250,000 at 6 percent interest, the annual interest



Michael Wilhelm

After living in a small apartment in Hong Kong, Ajai and Christin Huja are excited to be moving into their first home, a 1906 bungalow. They'll save more than \$1,700 in federal taxes, thanks to a Portland Housing Bureau program that offers tax breaks to eligible first-time buyers.

paid the first year would be \$15,000. The buyer would be eligible for a mortgage credit of 20 percent of that amount — \$3,000, which would be deducted from federal taxes. If the buyer is not able to use the full amount of the tax credit in a particular tax year, it may be carried forward for up to three calendar years.

The Portland Housing Bureau is the only jurisdiction in Oregon that offers the mortgage credit certificate program. Since it began in 2008, the program has approved MCCs for 158 homebuyers and has funding available for 123 more, said Jon C. Gail, the bureau's senior community outreach and info representative. Once those funds are gone, he expects the bureau to apply for more.

About 82 percent of the buyers so far have been young, single borrowers. While the program aims to help anyone who aspires to homeownership, a goal is to encourage more minorities to buy homes, said Gail. There's a wide gap in homeownership in Portland, he noted. While 60 percent of whites live in owner-occupied homes, the percentage drops to 33.2 percent for African-Americans and 38.7 percent for Hispanics. The program's target is to award 35 percent of the MCCs to homebuyers of color.

"It's important that we bring every resource we have to close that gap," said Gail, "so they know that Portland is a place where we have extra programs to help all people buy a home."

Homebuyers can choose their own lender, but lenders must have completed the required MCC training course. A list of approved lenders is on the Portland Housing Bureau website.

Buyers also must complete a certified homebuyer education class and must pay a \$675 processing fee at loan closing.

An advantage of the MCC program is that the expected tax credit can be applied toward the buyer's income (with conventional loans) or used to lower debt (with FHA loans), said Ralph Austin, a loan officer with HomeStreet Bank.

While there is some extra paperwork involved

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in getting an MCC, most of it is invisible to the borrower, said Austin. The most significant extra hoop is the requirement that borrowers complete a homebuyer education class prior to closing on the loan.

“This is something every first-time homebuyer will likely greatly benefit from anyway,” he said, “so in that sense, it’s a very valuable extra step.”

For the Hujas, doing their home-buying homework was the key to finding the MCC program and being ready to take on the role of homeowners.

“I knew there were a lot of resources in the Portland area,” said Christin. “We wanted to take

advantage of all that Portland has to offer.”

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Resources:

- **Jon Gail**, Portland Housing Bureau, 421 S.W. Sixth Ave., Suite 500; 503-823-3292; www.portlandonline.com/phb/
- **Ralph Austin**, HomeStreet Bank, 1618 S.W. First Ave.; 503-219-0784; www.homestreet.com
- **Erik Blender**, Prudential Northwest Properties, 1639 N.E. Weidler St.; 503-984-3514; www.pru-nw.com
- **Portland Housing Center**, 3233 N.E. Sandy Blvd.; 503-282-7744; information about homeownership classes at www.portlandhousingcenter.org