



Delaware State Housing Authority

Delaware First-Time Homebuyer Tax Credit





The Delaware First-Time Homebuyer Tax Credit Team

Delaware State Housing Authority (DSHA) has partnered with Hilltop Securities, Inc. to support lenders, realtors, and homebuyers to market, educate, and administer DSHA's Delaware First-Time Homebuyer Tax Credit.

- DSHA – will provide:
 - Lender Training
 - Delaware First-Time Homebuyer Tax Credit Marketing
 - Delaware First-Time Homebuyer Tax Credit Processing

- Hilltop Securities, Inc.– will provide:
 - Delaware First-Time Homebuyer Tax Credit Issuance to Homebuyer
 - General Reporting
 - IRS Annual Lender Reports
 - Homebuyer Annual Letter





DE Tax Credit Program Income Limits

County	Area	1 – 2 Person Households	3+ Person Households
New Castle		\$81,100	\$93,265
	Targeted	\$97,320	\$113,540
Kent & Sussex		\$74,400	\$85,560
	Targeted	\$89,280	\$104,160

Income limits in effect as of 3/25/15 and are subject to change.

Income Limits:

Mortgagor's household income must not exceed the program limits.





DE Tax Credit Program Purchase Price Limits

County	Property Census Tract	Type of Home			
		1 Unit	2 Units	3 Units	4 Units
Kent	Non-Targeted	\$255,573	\$327,186	\$395,477	\$491,487
	Targeted	N/A	N/A	N/A	N/A
New Castle	Non-Targeted	\$357,831	\$458,062	\$533,719	\$688,130
	Targeted	\$437,349	\$559,853	\$676,768	\$841,047
Sussex	Non-Targeted	\$298,192	\$381,734	\$461,409	\$573,426
	Targeted	\$364,457	\$466,563	\$563,944	\$700,854

Purchase price limits in effect as of 6/15/15 and are subject to change.

Income Limits:

Mortgagor's purchase price must not exceed the program limits.





What is a Delaware First-Time Homebuyer Tax Credit and What are the Benefits?

- A Delaware First-Time Homebuyer Tax Credit is a federal income tax credit designed to assist people to better afford individual ownership of housing.
- The Delaware First-Time Homebuyer Tax Credit provides an annual tax credit up to \$2,000 to qualifying homebuyers for the original term of their mortgage, as long as they live in the property and have a mortgage. The annual credit is calculated by taking the annual mortgage interest paid multiplied by the Delaware First-Time Homebuyer Tax Credit rate of 35% which has been established by DSHA.
- The tax credit is applied to the federal income tax liability of the Delaware First-Time Homebuyer Tax Credit certificate holder. There must be a tax liability to claim the credit.
- Delaware First-Time Homebuyer Tax Credit calculation example to follow.



What is a Delaware First-Time Homebuyer Tax Credit & BENEFIT

Delaware First-Time Homebuyer Tax Credit Example

Home Loan Amount	\$150,000.00
Sample Annual Interest Rate (30-year, fixed)	4.75%
Approx. Total Mortgage Interest Paid (Year One)	\$7,125.00
Delaware First-Time Homebuyer Tax Credit Rate	35%
Annual Tax Credit Amount (Line 3 x Line 4)	\$2,493.75
<i>(Tax Credit is Limited to \$2,000/year max)</i>	
Monthly Credit Amount (\$2,000.00 / 12)	\$166.66

Remaining itemized Mortgage Interest Deduction: $\$7,125.00 - \$2,000.00 = \$5,125.00$

A Delaware First-Time Homebuyer Tax Credit is a true “**tax credit**”, reducing the amount of the credit from their total federal income tax liability, receiving a dollar for dollar savings.

A “**tax deduction**” is subtracted from the adjusted gross income before federal income taxes are computed. Only a percentage of the amount deducted is realized in savings. A borrower in the 15% tax bracket will only save \$.15 in taxes for each dollar of mortgage interest paid.



Example of Actual IRS Form 1040 (page 2)

Page 2 of Federal Tax Return Form 1040 - Sample

	61	Add lines 55 through 60. This is your total tax.....		61	4,140
Payments	62	Federal income tax withheld from forms W-2 and 1099		62	6,483
	63	Estimated tax payments and amount applied from prior return		63	
	64a	Earned income credit 64b _____		64a	
	b			64b	
	65	Additional child tax credit. Attach Form 8812		65	
	66	American opportunity credit from Form 8863 line 8		66	
	67	Reserved		67	
	68	Amount paid with request for extension to file		68	
	69	Excess social security and tier 1 RRTA tax withheld		69	
	70	Credit for federal tax on fuels/ Attach Form 4136		70	
	71	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> reserved c <input type="checkbox"/> 8901 <input type="checkbox"/> 8895		71	
	72	Add lines 62, 62, 64a, and 65 though 71. There are your total payments.....		72	6,483
Refund	73	If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid		73	2,343
	74a	Amount of line 73 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>		74a	2,343





How a Homebuyer Uses The Delaware First-Time Homebuyer Tax Credit

Actual Example based on prior scenario.

Adjusted Gross Income	\$42,132.00
Withholdings & Tax Payments	\$6,483.00
Tax Liability	\$4,140.00
Refund	\$2,343.00
Tax Credit (up to \$2,000)	\$1,797.00
Revised Tax Refund	\$4,140.00

Borrower may also itemize remaining \$5,125.00 of mortgage interest paid.

DSHA encourages homebuyers to contact their tax advisor or employer to help them with the necessary tax forms and, if they so choose, to properly adjust their tax withholding.





What is a Delaware First-Time Homebuyer Tax Credit and What are the Benefits?

- The annual maximum \$2,000 tax credit may be used by a lender to assist the homebuyer in qualifying for a mortgage loan, following agency underwriting guidelines:

Note: DSHA will include all income that appears on the 1003 when determining total household income.

- The Delaware First-Time Homebuyer Tax Credit has the potential of saving the homebuyer thousands of dollars over the life of the loan.





How a Homebuyer Uses The Delaware First-Time Homebuyer Tax Credit

- Borrower claims the credit with their annual federal income tax return using IRS Form 8396.
- The credit may be claimed for the original term of the loan as long as the home is their principal residence. The borrower must have tax liability to benefit from the annual credit in any given year.
- The borrowers may, if they choose, adjust their W-4s to reflect the anticipated credit.
- If the amount of the Delaware First-Time Homebuyer Tax Credit credit exceeds the Delaware First-Time Homebuyer Tax Credit holder's tax liability, reduced by any other personal credits for the tax year, the unused portion of the credit can be carried forward to the next three tax years or until used, whichever comes first. The homebuyer will have to keep track of the unused credit each year. The current year credit is applied first and then the oldest amount of unused credit applied next.

DSHA encourages homebuyers to contact their tax advisor or employer to help them with the necessary tax forms and, if they so choose, to properly adjust their tax withholding.





Basic Delaware First-Time Homebuyer Tax Credit Requirements

- If using a DSHA Welcome Home loan, the rate, term, of the first mortgage loan is determined by first mortgage product and whether or not the borrower is using DSHA downpayment and closing cost assistance. For lenders not using a DSHA Welcome Home loan, the rate, term, and type of mortgage loan is determined by the lender.
- Only first mortgages qualify for the Delaware First-Time Homebuyer Tax Credit Program.
- Delaware First-Time Homebuyer Tax Credit may be used with all DSHA's products, including Second Mortgage Assistance Loan (SMAL) and Welcome Home Advantage 3.





Delaware First-Time Homebuyer Tax Credit Eligibility Requirements

Simply put, any homebuyer eligible for a Welcome Home loan whose income and purchase price does not exceed the Tax Credit limits will qualify for the Delaware First-Time Homebuyer Tax Credit.

Everyone who signs the Mortgage must sign the affidavits.

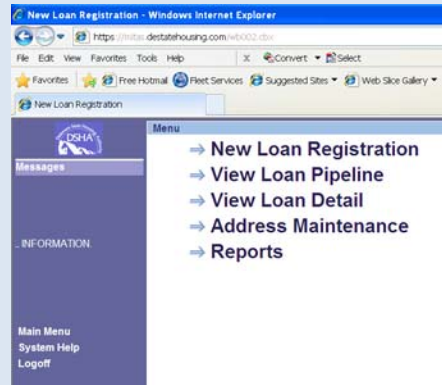




Delaware First-Time Homebuyer Tax Credit Process

Step 1

- Reserve –Delaware First-Time Homebuyer Tax Credit Funds via the MITAS online reservation system.



Click on the Back button to return to the main menu , or Click on a Program from the list below, if available.

Program Type	Available Amount	Current Rate	Extension Fee
DELAWARE HOMEBUYER TAX CREDIT		0.0000%	



Complete MITAS Reservation

Loan Info - Windows Internet Explorer
 https://mitas.destatehousing.com/wb002.cbx

File Edit View Favorites Tools Help X Convert Select

★ Favorites ★ Free Hotmail Fleet Services Suggested Sites Web Slice Gallery

Loan Info

Loan Info
 O/P MLW145
 Data Import

LOAN INFORMATION		
Mortgagor First Name & MI:	Last Name:	Mortgagor SSN:
<input type="text"/>	<input type="text"/>	<input type="text"/>
Loan Amount: <input type="text"/>	Loan Type: <input type="text" value="FHA"/>	
Purchase Price: <input type="text"/>	Date of Expected Closing: <input type="text" value="MM/DD/YYYY"/>	
+ Improvement Cost: <input type="text"/>	Number in Household: <input type="text"/>	
= Acquisition Cost: <input type="text"/>	Number of Wage Earners: <input type="text"/>	
Appraised Value: <input type="text"/>		
Monthly P&I: <input type="text"/>	Term: <input type="text" value="360"/>	
Originator Phone: <input type="text" value="000-000-0000"/>		
Originator Fax: <input type="text" value="000-000-0000"/>		
Lender 1st Mortgage Loan Number: <input type="text" value="0"/>		
Interest Rate		
Interest Rate: <input type="text" value="0.0000%"/>		

Next

Main Menu
 System Help
 Logoff



Delaware First-Time Homebuyer Tax Credit Process

- Lenders will submit the Delaware First-Time Homebuyer Tax Credit Compliance Review Package via electronic upload through the Mitas reservation system.
 - If using a DSHA 1st Mortgage, DSHA will use the upload on the primary mortgage.
 - If requesting a “Stand Alone” tax credit, the Compliance Review Package will need to be uploaded to that record in Mitas.
- DSHA will review for eligibility. If the borrower is eligible, the Reservation will be moved to a Committed status and DSHA will issue the following:
 - Delaware First-Time Homebuyer Tax Credit Approval Letter
 - Delaware First-Time Homebuyer Tax Credit Closing Package Checklist (example to follow)
 - Delaware First-Time Homebuyer Tax Credit Closing Affidavit
- Submissions that are incomplete or contain errors will be moved to status of “Pending-Conditions Posted”. Lender must review and submit items requested within 10 days or the reservation will be cancelled.





Fees and Costs

- The fees collected at closing are:
 - \$350 for Delaware First-Time Homebuyer Tax Credit Application/Closing Package Review
 - 1% of the total loan amount.

(The 1% fee will be waived for borrowers using a DSHA Welcome Home loan.)


- Fees can be paid by the buyer, seller, etc., as allowed by FHA, VA, USDA, conventional and/or investor guidelines.





Delaware First-Time Homebuyer Tax Credit Process

- The lender closes the loan. After closing, send Hilltop Securities, Inc. all of the required items listed on the Hilltop Securities closing package checklist along with applicable fees. Original documents are not required. Hilltop Securities will review the closing package documents and if complete, issue the certificate to the buyer.



DE TAX CREDIT CLOSING PACKAGE CHECKLIST

The DE Tax Credit Closing Package will not be processed, nor will a Delaware First-Time Homebuyer Tax Credit Certificate be issued, until all the items below are received by the Program Administrator.

Applicant Name	«MORTGAGORFIRSTNAME» «MORTGAGORLASTNAME»	
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LENDER CONTACT INFORMATION		
Company Name	«ORIGINATOR»	
Loan Originator Contact Name		
Loan Originator Email/Phone #		
Primary Contact Name		
Primary Contact Email/Phone #		

PLEASE SEND ONLY ITEMS LISTED BELOW:

- ____ 1. Copy of fully executed Delaware First-Time Homebuyer Tax Credit Closing Affidavit. Please make sure all completed information is correct.
- ____ 2. Copy of signed 1st Mortgage Note
- ____ 3. Copy of fully executed Seller's Affidavit
- ____ 4. Copy of fully executed Mortgagee's Affidavit
- ____ 5. Copy of Notice of full executed Notice of Potential Mortgage Subsidy Recapture Tax & Tax Table
- ____ 6. Copy of Lender's Affidavit
- ____ 7. Corporate check

\$	350.00	DE Tax Credit Application Fee
\$		DE Tax Credit Insurance Fee (1% of the loan amount)*
\$		Total DE Tax Credit Fees Due*

Please make payable to:
First Southern Company
325 N. Saint Paul Street, Suite 900
Dallas, Texas 75201

* This total is based on loan amount information provided in the DE Tax Credit Reservation Confirmation. Please notify us as to any changes in the loan amount prior to Closing. The 1% fee is waived for borrowers using a DSHA Welcome Home Loan.

After loan closing and receipt of all items on this page, the DE Tax Credit will be issued to the borrower and a copy will be emailed to the lender upon request.

Revised 12/11/2013



Delaware First-Time Homebuyer Tax Credit Servicing

- In January of the following year, lender submits IRS form 8329 for all Delaware First-Time Homebuyer Tax Credits issued in the prior calendar year. Hilltop Securities will complete the form and forward to each lender for filing. It is the responsibility of the lender to review the report for accuracy prior to filing.
- Also in January, Hilltop Securities will send homebuyers receiving a Delaware First-Time Homebuyer Tax Credit in the prior tax year a reminder letter and information on how to file.
- Homebuyers who refinance their first mortgage loan can continue to claim the tax credit by contacting Hilltop Securities and requesting re-issuance of the certificate.





Delaware First-Time Homebuyer Tax Credit Certificate

**DELAWARE STATE HOUSING AUTHORITY
MORTGAGE CREDIT CERTIFICATE**

This Mortgage Credit Certificate is issued by Delaware State Housing Authority (the "Issuer"), 18 The Green, Dover, Delaware 19901, Taxpayer Identification No. 51-0116653, pursuant to the Issuer's election not to issue qualified mortgage bonds, dated March __, 2013, to:

Name(s): _____

Tax Id. No(s): _____

Address: _____

THE MORTGAGE CERTIFICATE CREDIT RATE is 35%.

The CERTIFIED INDEBTEDNESS AMOUNT with respect to which this Certificate is issued is \$ _____.

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

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

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

The Certificate holder meets the requirements of Internal Revenue Code Sections 25(c)(2)(A)(iii)(IV) and 143(f), relating to income, and I, the undersigned, certify under penalties of perjury that I have determined to the best of my ability that this Certificate meets the applicable requirements of: Treasury Regulation Sections 1.25-3T(d), relating to residence; 1.25-3T(e), relating to ownership interests within the 3-year prior period; 1.25-3T(g), relating to new mortgages; 1.25-3T(i), relating to prohibited mortgages; 1.25-3T(j), relating to particular Lenders; 1.25-3T(k), relating to allocations to particular developments; and 1.25-3T(n), relating to interest paid to related persons.

Further, I, the undersigned, certify under penalties of perjury that I have determined to the best of my ability that the Residence in connection with which this Certificate issued [] is [] is not in a Targeted Area Residence.

This Certificate is not transferrable except in accordance with the program rules.

Loan Closing Date: _____ Loan No.: _____

Approved: _____
First Southwest Company
Program Administrator

By: _____
DELAWARE STATE HOUSING AUTHORITY

Cert. No.: _____ Date: _____

Summary

There are two Main Benefits to the Homebuyer:

1. Provides a federal tax credit up to \$2,000 a year for up to 30 years as long as the homebuyer occupies the home and has a mortgage.
2. Can help qualify the homebuyer which results in increased buyer capacity to qualify for the mortgage loan.





DSHA Originations Contacts

Telephone: 302-577-5001

Fax: 302-577-5021

Gary Hecker
Housing Finance Manager
Lender Support

Lorena Testardi
Housing Mortgage Loan Officer II
Compliance Review/
Lender Support

Lisa McCloskey
Housing Mortgage Finance Officer II
Compliance Review/
Lender Support

Karen Flowers
Office Manager
Initial Package Review- Pending Conditions



Hilltop Securities, Inc. Contact Information

General eMail Address: fschousing@hilltopsecurities.com

Mailing Address: Hilltop Securities, Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270

Contact:

Lori Wood 214-953-4231 lori.wood@hilltopsecurities.com

Additional services available from Hilltop Securities:

- Realtor, Lender, Builder and Outreach, Education and Training
- Present at First-Time Homebuyer Seminars
- Marketing Materials

