



**CITY OF CHICAGO**  
**SINGLE-FAMILY MORTGAGE CREDIT CERTIFICATE PROGRAM**  
**MCC SERIES 2016 - LENDER PARTICIPATION AGREEMENT**

**THIS LENDER PARTICIPATION AGREEMENT** (this "Agreement") made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, by and between the City of Chicago (the "City") acting through its Department of Planning and Development ("DPD") and \_\_\_\_\_ (the "Lender") Having its principal place of business at: \_\_\_\_\_

**WITNESSETH:**

**WHEREAS**, the Internal Revenue Code of 1986, as amended (the "Code"), provides for the creation of a mortgage credit certificate program to assist qualified individuals to acquire, rehabilitate and/or improve new and existing single-family housing (comprised of one to four living units) by providing qualified homebuyers with a Mortgage Credit Certificate ("MCC"); and

**WHEREAS**, by an ordinance adopted on September 24, 2015 (the "Ordinance"), the City has established its Single-Family Mortgage Credit Certificate Program, Series 2016 (the "MCC Program"); and

**WHEREAS**, the Lender wishes to participate in the MCC Program;

**NOW, THEREFORE**, in consideration of the foregoing, the parties hereto agree as follows:

1. The Lender acknowledges that it has received from the Department of Planning and Development a copy of the MCC Program Administration Procedures attached hereto (the "Program Description"), has reviewed the Program Description and understands the Program Description.
2. The Lender has been presented with and has reviewed the requirements under the Code for a potential homebuyer to qualify for the MCC Program. The Lender certifies that its policies and procedures for underwriting a mortgage loan for owner-occupied single family residences (containing one to four living units) are not in conflict with the requirements of the MCC Program, the Code or the Treasury Regulations promulgated thereunder (the "Regulations").
3. The Lender is duly organized and validly existing and in good standing under the laws of the state of its organization and/or the United States, as applicable, is in good standing and authorized to do business in the State of Illinois and has the power and authority to execute, deliver and perform its duties under this Agreement. The Lender agrees that, so long as this Agreement is in effect, it will continuously maintain its existence and remain in good standing and qualified to do business under the laws of the state of its organization and/or the United States, as applicable, and qualified to do business in the State of Illinois.

The Lender acknowledges the authorization to do business pursuant to a license issued by the Illinois Department of Financial and Professional Regulation and /or the Federal Deposit Insurance Corporation which current license numbers are as follows:

**ILDFPR No.:** \_\_\_\_\_ . **N/A:** \_\_\_\_\_ .

**FDIC No.:** \_\_\_\_\_ . **N/A:** \_\_\_\_\_ .

4. The Lender has obtained all approvals necessary to execute, deliver and perform its duties under this Agreement. The execution and delivery hereof and performance by the Lender hereunder do not and shall not result in a breach of any terms, conditions or provisions of any legal restriction, agreement or instrument to which the Lender is a party.
5. The Lender will not take any action or permit to be taken any action which is within its control which would impair the MCC Program or any MCC.
6. The Lender shall make available to potential homebuyers information about the MCC Program in conjunction with information concerning the Lender's mortgage loan programs. The Lender must credit the City of Chicago and DPD in all material, whether print, radio, or television, which the Lender uses to publicize MCC, in the following form: "The Mortgage Credit Certificate Program is made available through the City of Chicago's Department of Planning and Development." The credit must be clearly legible in print documents.
7. The Lender agrees to receive and process applications from potential homebuyers for MCCs under the MCC Program (the "Applicants"). The Lender will process each application and determine the Applicant's eligibility for the MCC Program. The Lender will not refuse to review any completed application and will not reject an application for reasons other than those permitted herein. All applications shall be reviewed and either approved or rejected by the Lender on a "first come, first served" basis unless otherwise directed by DPD pursuant to Section 17 of this Agreement.
8. The Lender agrees to obtain from each Applicant all relevant applicant affidavits (each referred to an "Applicant Affidavit") evidencing compliance with the Code and the Regulations. The Lender agrees to conduct such investigation(s) as necessary to certify that each Applicant has satisfied all requirements of the MCC Program, the Code and the Regulations. Any misrepresentation contained in an Applicant Affidavit shall be grounds for the rejection of an MCC.
9. The Lender acknowledges that certain information is required to be provided to the Internal Revenue Service (the "IRS") pursuant to Section 1.25-4T and Section 1.25-8T of the Regulations. Information necessary to comply with these reporting requirements is determined, in part, from each Applicant and records maintained by the Lender. The Lender agrees to file with the IRS on or before January 31 of each year (or such other date as may be set forth in the Regulations) a report in compliance with Section 1.25-8T of the Regulations. In addition, the Lender hereby agrees to collect and deliver to DPD, not later than the fifteenth day of each April, July, October and January while this Agreement is in effect, all information within the control of the Lender which is required to comply with the reporting requirements of the Regulations. The Lender hereby agrees, further, to comply with all data and record retention and all reporting requirements applicable to the MCC Program which are required by the Code, the Regulations and the Program Description. The Lender shall keep all such records during the period each MCC is in effect and for a period of two years thereafter.
10. The Lender hereby agrees to provide the City with each original Application Affidavit and a copy of each mortgage loan application in connection with the MCC Program.
11. The Lender agrees that the City and the City's representatives have the right to examine and inspect, during normal business hours, all books and records in Lender's possession relating to any MCC and the MCC Program.

12. The Lender may charge an Applicant a reasonable and customary fee as would be charged to a potential borrower applying for mortgages other than in connection with an MCC. The Lender shall also charge an Applicant a fee (the "Program Fee") of not less than \$225 and not more than \$375 for processing each application of an MCC. Of the Program Fee, not more than \$150 is due at the time of application and shall be retained by the Lender. All or part of the Lender's portion of the Program Fee may be waived by the Lender. \$225 of the Program Fee shall be remitted to DPD prior to the issuance of an MCC in the form of a lender's check, title company check, money order or cashier's check payable to the "City of Chicago Department of Planning and Development." The Lender represents that, taking into account all the facts and circumstances, the portion of the Program Fee payable to the Lender is reasonably necessary to cover the administrative costs, including profit, of the Lender in connection with its acting as a party hereunder.
13. The Lender hereby agrees that it will immediately forward to DPD all information which the Lender receives during the term of each MCC which information indicates that a misrepresentation was made in applying for an MCC or which may affect the continued eligibility of an Applicant for an MCC. Any misrepresentation in the Application or in the Applicant Affidavit shall result in revocation of an MCC.
14. In the case of each Applicant, the Lender will comply with all applicable federal, state and local laws, ordinances and regulations with respect to equal opportunity and non-discrimination and, in so doing, will not arbitrarily vary the terms of an MCC or the application procedures therefore or refuse to review or approve an MCC because of race, color, religion, national origin, disability, ancestry, age (provided the applicant has legal capacity to enter into a contract), sex, sexual orientation, marital status, parental status, military discharge status or source of income or the fact that all or part of the Applicant's income derives from any public assistance program or the fact that the Applicant has in good faith exercised any right under the Federal Consumer Protection Act.
15. The Lender covenants to comply in all respects with provisions of Section 25 of the Code, the Regulations, the Ordinance, the Program Description and the Mayor's Executive Order 05-01 (which prevents anyone owning seven and one-half percent (7.5%) or more of a City contractor from contributing to the mayor or his political fund-raising committee during the contract term).
16. The Lender agrees that in connection with the issuance of MCCs, the Lender shall use all documents provided by DPD as necessary to evidence compliance with the Code, the Regulations, the Ordinance and the Program Description. The Lender agrees it will execute and deliver to DPD a certificate in a form satisfactory to the City evidencing the Lender's compliance with the Code, the Regulations, the Ordinance and the Program Description.
17. The Lender acknowledges that DPD may, in its discretion, amend certain provisions of the Program Description, including, but not limited to, (a) modifying the Certificate Credit Rate (as defined in the Code) and (b) further restricting the types and/or locations of residences for which MCCs are issued, in accordance with the goals of the Program. The Lender will abide by such changes upon receipt of notice from DPD.
18. The Lender acknowledges that the limitations on (a) the annual gross income of homebuyers that participate in the MCC Program and (b) the purchase price of a home financed under the MCC Program, both of which are mentioned in the Program Description, are subject to adjustment. The Lender will abide by such adjustments and changes to the income and purchase price limitations upon receipt of notice from DPD.
19. The Lender agrees that it shall be an "event of default" hereunder if any of the following occurs: (a) failure by the Lender to observe or perform in any material respect any covenant, condition or agreement contained herein; (b) the filing or acquiescence by the Lender in the filing of any bankruptcy proceedings in a court of competent jurisdiction; (c) failure by the Lender to pay the City, when due, the portion of the Program Fee to be paid by the Lender; or (d) a determination that any representation or warranty by the Lender in this Agreement shall have been false in any material respect when made.
20. Upon an event of default, the City may immediately terminate any rights, duties and obligations of the Lender hereunder and/or take whatever other action at law or in equity which the City deems necessary to enforce performance and observance of any duties, obligations, agreements or covenants of the Lender hereunder.





## **TaxSmart Mortgage Credit Certificate Program Series 2016**

### **Program Information – Program Description**

TaxSmart is a Mortgage Credit Certificate (MCC) program that provides a federal income tax credit to qualified homebuyers. A tax credit is a direct reduction of taxes due. Under the program, a home buyer would receive a MCC to reduce income taxes by an amount equal to 25 percent of the interest paid on a mortgage. The tax credit may be claimed each year the home buyer continues to live in a home financed under this program.

**Federal law requires that a home buyer satisfy each of the following guidelines:**

#### **First-Time Homebuyer or Target Area Purchase**

Any person who has not owned a principal residence at any time during the three years prior to closing a loan under this program is considered a first-time home buyer. **Non first-time home buyers** are also eligible if they purchase a home in a designated target area.

#### **Income**

Federal law imposes maximum limits on the annual gross income of home buyers.

#### **Purchase Price**

Federal law also imposes limits on the purchase price of homes financed under the program.

#### **Principal Residence**

The home buyer must occupy the home as a principal residence within a reasonable period which, under most circumstances, may not exceed 60 days after financing is provided. A principal residence is a home occupied primarily for residential purposes and does not include a home used as an investment property, as a recreational home or a home in which 15 percent or more of its total area is used for a trade or business.

#### **One-to-Four-Family Home**

Each residence financed must contain 1-4 units. A one-family residence includes a detached home, one unit of a duplex, a townhouse or a condominium unit. If the residence is a 2-4 unit building, one unit of the residence must be the principal residence of the building owner, and the residence must have been first occupied for residential purposes at least five years prior to applying for a mortgage loan financed in connection with the MCC.

#### **New Mortgage**

The mortgage loan financed in connection with a MCC Certificate is required to be a new mortgage and may not replace a prior mortgage on the home (whether or not previously repaid).

#### **Program Area**

In order to be eligible for a MCC Certificate the home financed under the program must be located in the City of Chicago.

**Mortgage Credit Certificates** are issued to eligible home buyers on a first-come, first-served basis. The certificates are available in connection with any type of mortgage loan (except loans from tax-exempt bond programs), including fixed rate and adjustable rate mortgages.

**First-time homebuyers** must receive pre-purchase counseling to be eligible and must provide a certificate of completion of pre-purchase counseling with their applications. Applications and additional information are available from Participating TaxSmart Mortgage Lenders.

Income Limits	Non-Target Area	Target Area
Less than three Person Household	\$79,000	\$94,800
Three or More Person Household	\$90,850	\$110,600

Purchase Price Limits*	Non-Target Area		Target Area	
	Existing	New Construction	Existing	New Construction
One Unit	\$336,706	\$336,706	\$411,529	\$411,529
Two Unit	\$431,033	Ineligible	\$526,818	\$526,818
Three Unit	\$521,033	Ineligible	\$636,818	Ineligible
Four Unit	\$647,493	Ineligible	\$791,380	Ineligible

**\*These limitations are periodically adjusted and do not apply to mortgage credit certificates issued with respect to qualified home improvement loans.**

#### **Program Administration**

The City of Chicago Department of Planning and Development (DPD) will make the final review and approval of TaxSmart applications. DPD issues approval letters and MCC certificates to the participating lenders for approved loans.

The City maintains a list of lenders who participate in the TaxSmart program. A participating lender determines Homebuyer eligibility based on standard underwriting criteria. The lender collects a \$375 program fee per application from Homebuyers, of which the lender keeps \$150. The lender submits applications, supporting documentation and the remaining \$225 of the application fee to DPD (the DPD application fee is due at loan closing). Lenders must forward MCC Certificates for approved loans from DPD to the Homebuyer.

The Lender /Homebuyer are responsible for submitting completed application documents along with the \$375 program fee to the participating lender.

Lenders must credit the City of Chicago and DPD in all materials, whether print, radio, or television, that publicize MCC. The credit must read as follows: "The TaxSmart Program is made available through the City of Chicago's Department of Planning and Development". The credit must be clearly legible in all print documents.

#### **Compliance**

DPD submits quarterly and annual reports to the Internal Revenue Service for all MCC certificates issued. In addition, the lending institution and home buyer must submit their own documentation to the Internal Revenue Service for TaxSmart loans. Both the lender and the Homebuyer must maintain their own records and documentation for this purpose.

The Homebuyer may not finance a residence purchased using TaxSmart with proceeds of a qualified mortgage bond nor a qualified veteran's mortgage bond. For example, the TaxSmart Program may not be used with DPD's City Mortgage or with the Illinois Housing Development Authority's First Time Homebuyer program. The homebuyer must use a home purchased using an MCC as his/her primary residence. The Homebuyer may be subject to recapture if the residence is sold within nine years of the mortgage loan closing.