

LOCAL HOUSING FINANCE CORPORATION'S

MORTGAGE CREDIT CERTIFICATE PROGRAMS

INVITATION TO LENDERS AND BROKERS TO PARTICIPATE

35% MORTGAGE CREDIT CERTIFICATE TAX RATE

LOCAL HOUSING FINANCE CORPORATION'S MORTGAGE CREDIT CERTIFICATE PROGRAMS

INVITATION TO PARTICIPATE

The Local Housing Finance Corporation's (the "Issuers") invite you to apply for participation in their Mortgage Credit Certificate Programs (the "MCC Programs") for single family residential housing. Mortgage Loans will be originated by lending institutions participating in the MCC Programs as originating lenders (the "Lenders") pursuant to the provisions of the Lender Participation Agreement (the "Agreement").

Brief Summary of the MCC Programs

What is an MCC?

A Mortgage Credit Certificate (MCC) is a tool to assist with homeownership opportunities for first-time homebuyers of low to moderate income. Mortgage Credit Certificates are issued directly to qualifying Applicants who can then take a tax credit equal to a specified percentage of the interest paid on their mortgages each year. This tax credit rate was chosen because the maximum tax credit for any given year is \$2,000; amounts in excess of the maximum can be carried forward to a future year.

Example:

Mortgage Amount:	\$100,000.00
Interest Rate (not set by the programs):	6.00%
Total Mortgage Interest Paid First Year:	\$6,000.00
times the MCC Rate of 35%	\$2,100.00

During the first year of the mortgage loan this homebuyer would be entitled to a tax credit of \$2,000.00. Based upon such entitlement, the homebuyer can file in advance a revised W-4 withholding form taking into consideration that this tax credit will provide the homebuyer with approximately \$167.00 per month in additional disposable income. The homebuyer deduction for mortgage interest paid each year can still be taken, less the dollar amount of the tax credit.

The benefit to the homebuyer is the tax credit and the filing of the revised W-4 increases the borrowers net income, assisting with the qualifying process and the ability to make on-going monthly mortgage payments.

What is the Mortgage Rate and Terms for the MCC Programs?

MCCs do not restrict the type of financing with regard to type, term, rate, etc.. Participating Lenders charge borrowers market rates for mortgage loans. However, only first mortgages qualify for these Programs. Mortgages funded with a qualified mortgage bond or a qualified veteran's mortgage bond are not eligible.

What happens to the Mortgage Loans with MCCs after Closing?

Loans originated with the MCC Programs are not sold to a third party, but rather are maintained by the originator and can be held or sold at the discretion of the originating lender. All loan approvals, underwriting, and execution of required state and federal certificates or affidavits will be performed by the Lenders. The Program Administrator does review the applicable certificates and affidavits with respect to borrower eligibility for the MCCs (specifically, first-time homebuyer requirement, income limits, and purchase price restrictions).

What are the Primary associated fees collected with each loan?

Notes

MCC Issuance Fee, MCC Application Fee and MCC Closing Package Review Fee 1% of Loan Amount + \$350.00

Paid by Applicant, seller or any other person on the Applicant's behalf; submitted to Program Administrator upon loan closing.

Lenders can charge reasonable and customary fees and charges for loan origination. Origination fees and discount points are not dictated by the MCC Programs.

What borrowers qualify for the MCC Programs?

Typically, borrowers must be considered first-time homebuyers (have not owned a home in the past three years) unless purchasing a home in a Targeted Area (see Targeted Area chart below) and **must not exceed the maximum income or purchase price limits listed below:**

MCC Program	Program Area	Maximum Income Limits				Maximum Purchase Price Limits	
		Non-Targeted Area		Targeted Area		Non-Targeted Area	Targeted Area
		2 or Less	3 or More	2 or Less	3 or More	New or Existing	New or Existing
Denton County HFC	Denton County, Texas	\$67,600	\$77,740	N/A	N/A	\$258,691	N/A
North Central Texas HFC	Texas Counties of:						
	Ellis, Hunt, Kaufman, Rockwall	\$67,600	\$77,740	N/A	N/A	\$258,691	N/A
	Navarro	\$57,400	\$66,010	N/A	N/A	\$258,691	N/A
	Texas Cities of:						
	Cedar Hill, De Soto, Duncanville, Lancaster, Waxahachie	\$67,600	\$77,740	N/A	N/A	\$258,691	N/A
Northwest Central Texas HFC	Texas Counties of:						
	Johnson, Parker	\$66,000	\$75,900	N/A	N/A	\$258,691	N/A
	Wise	\$61,600	\$70,840	N/A	N/A	\$258,691	N/A
	Hood	\$62,900	\$72,335	N/A	N/A	\$258,691	N/A
	Somervell	\$58,100	\$66,815	N/A	N/A	\$258,691	N/A
	Erath, Palo Pinto	\$57,400	\$66,010	N/A	N/A	\$258,691	N/A
Tarrant County HFC	Tarrant County, Texas	\$66,000	\$75,900	\$79,200	\$92,400	\$258,691	\$316,177

TARGETED AREA CHART

MCC Program	Program Area	Targeted Area Census Tracts
Denton County HFC	Denton County, Texas	None
North Central Texas HFC	Texas Counties of: Ellis, Hunt, Kaufman, Rockwall & Navarro Texas Cities of: Cedar Hill, De Soto, Duncanville, Lancaster & Waxahachie	None
Northwest Central Texas HFC	Texas Counties of: Erath, Hood, Johnson, Parker, Palo Pinto, Somervell & Wise	None
Tarrant County HFC	Tarrant County, Texas	The following census tracts in Tarrant County: 1003.00, 1010.00, 1011.00, 1016.00, 1017.00, 1025.00, 1031.00, 1035.00, 1036.01, 1037.01, 1038.00, 1039.00, 1040.00, 1046.04, 1065.16, 1222.00

What homes can be purchased through the MCC Programs?

New or existing homes located within the eligible program area listed below may be financed through these programs:

MCC Program	Program Area
Denton County HFC	Denton County, Texas
North Central Texas HFC	Texas Counties of: Ellis, Hunt, Kaufman, Rockwall & Navarro Texas Cities of: Cedar Hill, De Soto, Duncanville, Lancaster & Waxahachie
Northwest Central Texas HFC	Texas Counties of: Erath, Hood, Johnson, Parker, Palo Pinto, Somervell & Wise
Tarrant County HFC	Tarrant County, Texas

How to Sign up as a Lender:

In order to become a Lender in the MCC Programs, the following is required to be submitted to the Program Administrator:

- (1) Complete attached Lender Participation Agreement.
- (2) Complete attached Lender Application Form.
- (3) Mail to: **First Southwest Company
Program Administrator
Attn: Sharon Gonzalez
325 North St. Paul Street, Suite 800
Dallas, Texas 75201
214-953-4122**

LENDER PARTICIPATION AGREEMENT
Mortgage Credit Certificate Programs

This agreement ("Agreement") is made and entered into, as of the date set forth below, by and between the Local Housing Finance Corporations (the "Issuers") in connection with its Mortgage Credit Certificate Programs, (the "Programs") and _____ (the "Lender").

RECITALS:

WHEREAS, the Tax Reform Act of 1984 established the Programs as a means of assisting qualified individuals with the acquisition of new and existing single family housing;

WHEREAS, pursuant to Article 5190.9a of the Texas Revised Civil Statutes, the rules promulgated by the Texas Bond Review Board thereunder, and Section 146 of the Internal Revenue Code of 1986 (the "Code"), the Issuers received an allocation to issue single family mortgage revenue bonds to provide financing for owner-occupied residences located within specified eligible loan areas ("Eligible Loan Areas"), to persons of low and moderate income;

WHEREAS, in furtherance of the purposes of the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code (the "Act"), pursuant to which the Issuers were created, the Issuers have determined to implement the Programs to assist persons of low and moderate income to afford the costs of acquiring and owning decent, safe and sanitary housing within the Eligible Loan Areas and in connection therewith, has made a revocable election under Section 25 of the Code to exchange its bond authority for the authority to issue mortgage credit certificates ("MCCs") to qualified persons; and

WHEREAS, the Lender wishes to participate in the Programs administered by First Southwest Company, the Program Administrator, in connection with mortgage loans the Lender will make available for the acquisition of new and existing single-family housing located within the boundaries of the Eligible Loan Areas.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the Issuers and Lender agree as follows:

AGREEMENT

The capitalized terms in this Agreement that are not defined herein shall have the meanings set forth in Appendix A to the Mortgage Credit Certificate Program Manual ("Manual").

1. The Issuers hereby designates the Lender as its non-exclusive agent for receipt and processing of applications for MCCs.
2. The Lender agrees to adequately prepare those of its representatives that will assist the Lender in participating in the Programs by providing them with training and current materials before assigning them to work on the Programs.
3. The Lender agrees to make information regarding the Programs available to all potential borrowers who request or may qualify for the Programs. The Lender will provide each potential borrower with a complete MCC information package at the time of applying for an MCC. The Lender will timely and in good faith review and process the application for potential borrowers in order to determine their eligibility for the Programs and to efficiently complete the application and issuance process.
4. The Lender agrees to work cooperatively with the Issuers and the Program Administrator to represent the Programs fairly and accurately to the borrower.
5. The Lender will obtain from the borrower all documents and information required for the application for and issuance of an MCC, as directed by the Issuers and Program Administrator. The Lender will take the estimated tax credit into consideration when qualifying the borrower for the first mortgage.

6. The Lender will conduct such reasonable investigation as is necessary to certify that the borrower has satisfied all requirements of the Programs, including those imposed by temporary and permanent regulations issued pursuant to the Code and the Programs eligibility requirements.

7. The Lender warrants that it is familiar with the laws applicable to the Programs, including the Code's temporary and permanent regulations, state laws and guidelines established by the Programs, and that it will comply with all such laws, regulations and guidelines.

8. The Lender will charge a potential borrower applying for an MCC only those reasonable lending fees the Lender would charge a potential borrower applying for mortgages not connected with an MCC. In addition, the Lender agrees to charge each borrower and pay to the Program Administrator the fees specified in the Manual for processing each MCC.

9. The Lender will perform all investigation and verification that it would normally perform for underwriting a mortgage not accompanied by an MCC application. The Lender will notify the borrower and the Program Administrator in writing of any decision to cancel processing for any particular MCC.

10. The Lender agrees to abide by the application timeline of the Programs, including: (a) to submit MCC applications only while escrow is open; (b) to wait until the MCC Commitment is issued before closing escrow; (c) to submit any required closing documentation within ten (10) days of escrow closing or by the end of the Program Period, whichever occurs first; and (d) to relate these timeline restrictions to borrowers and to keep borrowers informed of the progress of their applications.

11. The Lender will strive to achieve and maintain a high standard of quality in its MCC-related work and submissions to the Program Administrator. The Lender agrees to comply with all timelines established by the Programs, as reflected in the Manual, and to pay any and all late fees charged by Program Administrator, in the Program Administrator's discretion, for errors and missed deadlines. The Lender further agrees to take immediate steps to correct any errors and missed deadlines upon request of the Program Administrator.

12. The Lender agrees to designate an MCC contact person for each of its branches, which contact person must attend at least one MCC training session, and who will be responsible for timely circulating Programs correspondence to other personnel within the branch who perform work on the Programs. The contact person, or other person appointed by the Lender, shall be responsible for remedying problems related to errors or missed deadlines.

13. The Lender agrees to keep complete files of each MCC-related loan for six (6) years following origination of the loan. The Lender further agrees to make accurate and timely annual filings of IRS form #8329 which includes any mortgage loans originated in the prior calendar year. The Lender accepts full responsibility for these requirements irrespective of if and when the MCC loan is sold to another party.

14. The Lender agrees to inform the Issuers and Program Administrator immediately of any changes to the information on the Lender Application Form, especially those changes relating to MCC contact persons and their replacements.

15. This Agreement shall remain in full force and effect until terminated. This Agreement may be terminated by the Issuers, Program Administrator or Lender upon the giving of 60 days written notice, specifying in such notice the effective date of the termination. Notwithstanding any such termination, the Lender agrees that it shall continue to file any and all reports required to be filed with the Internal Revenue Service, and shall maintain all records required to be maintained by it pursuant to the Code.

The Issuers or the Program Administrator, on behalf of the Issuers, may immediately terminate this Agreement and prohibit the Lender from participation in the Programs upon the Lender's failure to comply with the terms and conditions of this Agreement and upon written notice by the Issuers or the Program Administrator, on behalf of the Issuers. No amendment to this Agreement shall be effective unless reflected in a writing signed by both parties hereto or unless posted on the Program Administrator's website.

Please select all MCC Programs your company will be participating in as a Lender:

- Denton County Housing Finance Corporation MCC Program
- North Central Texas Housing Finance Corporation MCC Program
- Northwest Central Texas Housing Finance Corporation MCC Program
- Tarrant County Housing Finance Corporation MCC Program

THIS AGREEMENT has been executed as of _____ and is signed by a designated representative of the lending company.

Lender Company Name: _____

By: _____

Title: _____

Email: _____

FOR ISSUER REPRESENTATIVE ONLY

Upon submission of the Lender Participation Agreement to the Program Administrator, a representative of the Program Administrator, on behalf of the Issuer, will forward an email or other written correspondence to the Lender representative above, which will serve as verification of the enrollment of the Lender in the Program.

By: _____

Title: _____

This executed Agreement is to be submitted to the Program Administrator's office with:

- (1) One complete original of pages 1-3 of this Lender Participation Agreement.
- (2) Completed Lender Application Form (page 4).

(3) Mail to: **First Southwest Company**
Program Administrator
Attn: Sharon Gonzalez
325 North St. Paul Street, Suite 800
Dallas, Texas 75201
214-953-4122

LENDER APPLICATION FORM
Mortgage Credit Certificate Programs

The Mortgage Credit Certificate Programs (the "Programs") welcomes local lenders to participate. All lenders, whether broker, correspondent, or wholesaler, are considered a "participating lender" and must complete a full application. Each company joining the Programs is required to designate a "main branch" and a contact person at that branch who will be responsible for MCC correspondence. Additional branches of that company that wish to participate must be listed below. Representatives from each branch will be required to complete the Program Administrator's MCC training program before submitting mortgage loan applications. If additional space is needed to list additional branches, please use extra copies of this form.

<p><u>Main Branch:</u></p> <p>_____</p> <p>Company Name</p> <p>Branch Type: _____</p> <p>(e.g. originate, originate and fund, buy wholesale)</p> <p>_____</p> <p>Address</p> <p>_____, _____</p> <p>City, State Zip</p> <p>_____ Phone</p> <p>_____ Fax</p> <p>_____</p> <p>MCC Contact Person</p> <p>_____</p> <p>MCC Contact Person – Email Address</p> <p><u>Corporate Office</u> (if different from main branch):</p> <p>_____</p> <p>Company Name</p> <p>Branch Type: _____</p> <p>(e.g. originate, originate and fund, buy wholesale)</p> <p>_____</p> <p>Address</p> <p>_____, _____</p> <p>City, State Zip</p> <p>_____ Phone</p> <p>_____ Fax</p> <p>_____</p> <p>MCC Contact Person</p> <p>_____</p> <p>MCC Contact Person – Email Address</p>	<p><u>Additional Branches:</u></p> <p>(if there are more than two additional branches, please use additional copies of this form)</p> <p><u>Branch 1:</u></p> <p>Branch Type: _____</p> <p>(e.g. originate, originate and fund, buy wholesale)</p> <p>_____</p> <p>Address</p> <p>_____, _____</p> <p>City, State Zip</p> <p>_____ Phone</p> <p>_____ Fax</p> <p>_____</p> <p>MCC Contact Person</p> <p>_____</p> <p>MCC Contact Person – Email Address</p> <p><u>Branch 2:</u></p> <p>Branch Type: _____</p> <p>(e.g. originate, originate and fund, buy wholesale)</p> <p>_____</p> <p>Address</p> <p>_____, _____</p> <p>City, State Zip</p> <p>_____ Phone</p> <p>_____ Fax</p> <p>_____</p> <p>MCC Contact Person</p> <p>_____</p> <p>MCC Contact Person – Email Address</p>
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