

“Acquisition Cost Limits” - Initially the following shall be the applicable maximum Acquisition Cost Limits, but these amounts are subject to reduction by any applicable FHA limits, or such revised amounts as may be effective from time to time, as required by the Regulations: The Acquisition Cost of the Residence may not exceed the Acquisition Cost Limit. Initially the following shall be the applicable maximum Acquisition Cost Limits, but these amounts are subject to reduction by any applicable FHA limits, or such revised amounts as may be effective from time to time, as required by the Regulations: (i) \$311,979 in a Non-Targeted Area and (ii) \$381,308 in a Targeted Area. The determination whether the Residence meets the applicable Acquisition Cost Limit shall be made as of the date of the issuance of the MCC. Any revisions of the aforesaid Acquisition Cost Limits by the Corporation or the Administrator may rely upon average area purchase price limitations published by the Treasury Department, any successor thereof, or as may be provided in Section 143 of the Code, for the statistical area in which the Residence is located.

“Act” - The Texas Housing Finance Corporations Act, Chapter 394, as Texas Local Government Code, as amended.

“Administrator” - The Southeast Texas Housing Finance Corporation, its successors and assigns.

“Adjusted Gross Income” - With respect to a person, the adjusted gross income of such person (as set forth on the appropriate line of the federal income tax return filed by such person with the Internal Revenue Service or, in the case of a person not required to file such a return, as evidenced by cancelled salary checks, wage statements or such other information as may be acceptable to the Lender and the Administrator), together with the Adjusted Gross Income of all persons who intend to reside with such person in one dwelling unit (based on similar evidence), for the tax year immediately preceding the date of issuance of the MCC.

“Allocation Act” - Chapter 1372, Texas Government Code, as amended, and the rules promulgated by the Texas Bond Review Board thereunder.

“Affidavit” - An affidavit filed in connection with the Program made under oath and subject to the penalties of perjury and the civil penalties provided therein.

“Anticipated Annual Family Income” - The sum of (a) the gross monthly income of the Applicant and (b) the gross monthly income of anyone who is expected both to live in the Residence and to be secondarily liable on the Loan, multiplied by 12. Gross monthly income is the sum of gross monthly pay, any additional income from investments, pensions, Department of Veterans Affairs (VA) compensation, part-time employment, net bonuses, dividends, interest, over-time pay, net rental income, royalties, etc., and other income (such as alimony and child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts or from business activities or investments). The Anticipated Annual Family Income cannot exceed the Income Limits, which shall be determined as of the date of issuance of the MCC.

“Applicant” - Any person or persons: (i) whose Anticipated Annual Family Income does not exceed the Income Limits; (ii) who intends to occupy the Residence to be financed with a Loan

as his or her Principal Residence within a reasonable period (not to exceed 60 days) following the making of such Loan; (iii) who has not had a present Ownership interest in a Principal Residence at any time during the three-year period ending on the date of execution of the Loan; *provided, however,* that the three-year requirement does not apply to an Applicant who (a) purchases a Residence located in a Targeted Area or (b) is a Qualified Veteran; (iv) who has not had an existing mortgage (including a deed of trust, conditional sales contract, pledge, agreement to hold title in escrow or any other form of owner-financing), whether or not paid off, on the Residence to be financed with such Loan at any time prior to the execution of the Loan, other than an existing mortgage securing a construction period loan, bridge loan or similar temporary financing initially incurred for the sole purpose of acquiring the Residence and initially incurred within 24 months of execution of the Loan and having an original term not exceeding 24 months; and (v) who is a United States citizen, a lawful permanent alien or a non-permanent resident alien who is eligible to work in the United States in each case with a valid social security number and who meets the criteria set forth in this Program Manual.

“Average Area Purchase Price” - With respect to any Residence the safe harbor average area purchase price of all single family residences in the statistical area in which the Residence being financed is located which were purchased during the most recent twelve month period for which information is provided pursuant to Section 143(e) of the Code. The Average Area Purchase Price in effect at implementation of the Program is (i) \$311,979.

“Certificate Limit” - The maximum aggregate amount of MCC authority for the Program, which equals 25% of the nonissued bond amount allocated to the Corporation by the Texas Bond Review Board. The Certificate Limit with respect to the Program is \$6,250,000.

“Certified Indebtedness Amount” - The amount of the Loan which is subject to the mortgage credit provided by the MCC. *The Certified Indebtedness Amount on the reissued MCC may not exceed the outstanding balance of the Loan associated with the existing MCC.*

“Closing or Closing Date” - The funding of a Loan by the Lender and the execution and delivery by the Applicant of all documents in connection therewith. *“Closed”* means a Loan for which a Closing has occurred.

“Code” - The Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Program.

“Corporation” - The Southeast Texas Housing Finance Corporation, its successors and assigns, whose address is 11111 S. Sam Houston Parkway East, Houston, Texas 77089.

“Eligible Loan Area” - The area within the geographical area with the limits of the Counties of Austin, Brazoria, Chambers, Liberty, Matagorda, Walker, Waller and Wharton, Texas, and the Cities of Baytown, Deer Park, Dickinson, La Marque, La Porte, League City, Pasadena, Santa Fe, Shoreacres, Texas City and Tomball, Texas. The Corporation will provide notice regarding any modification of the Eligible Loan Area.

Lender. MCCs are issued subject to the condition that all Program requirements are or will be met prior to the issuance of the MCC. Thus, the Lender must immediately notify the Administrator in writing of any change in the circumstances upon which the MCC Commitment Letter was issued. If any change of circumstances occurs such that the Program requirements are not met, the MCC Commitment Letter will be cancelled.

N. RECORD KEEPING AND REPORT FILING

1. For each calendar quarter the Corporation issues MCCs beginning with the quarter in which the election to issue MCCs is made, the Administrator will file on behalf of the Corporation reports on IRS Form 8330 (which will be signed by an authorized representative of the Corporation).

2. The Administrator will report annually to the Internal Revenue Service on behalf of the Corporation in the form prescribed by Treasury Regulation § 1.25-4T(e):

(a) The number of Mortgage Credit Certificates by Income and Acquisition Cost as required by IRS reporting regulations; and

(b) The volume of Mortgage Credit Certificates by Income and Acquisition Cost as required by IRS reporting regulations.

3. For each calendar year during which it originates Loans to Applicants obtaining MCCs, each Lender must file an annual report using IRS Form 8329. Prior to the filing deadline for such report, the Administrator will assist in furnishing to the Lender the information available in its records necessary for the Lender to complete IRS Form 8329. IRS Form 8329 has been attached hereto as Exhibit F, but each Lender shall use the latest form provided by the IRS.

4. For six years, the Lender must retain:

(a) Name, address (including the address of the Residence financed with the Loan) and taxpayer identification number of each MCC holder;

(b) Name, address and taxpayer identification number of the Corporation; and

(c) Date of Loan, Certified Indebtedness Amount, and Mortgage Credit Certificate Rate.

5. In January following each year during which MCCs are issued, the Administrator shall mail an IRS Form 8396 to each MCC holder of record as a reminder to properly declare the MCC tax credit for federal income tax purposes. IRS Form 8396 has been attached hereto as Exhibit G, but the Administrator shall use the latest form provided by the IRS.

6. LENDER AGREES TO PROVIDE INFORMATION TO BE REPORTED UNDER THE FEDERAL HOME MORTGAGE DISCLOSURE ACT AS REQUIRED BY SECTION 394.027 OF THE ACT.

6. Have you completed a loan application at a participating _____ Lender? _____

If you answered YES to all six questions, you may qualify for a Mortgage Credit Certificate.

PLEASE NOTE: Mortgage Credit Certificates cannot be used in connection with loans which are refinancing the existing balance of a loan you already have (except an interim construction loan) or with loans which are part of a tax-exempt mortgage bond program or a veterans' tax-exempt mortgage bond program.

CHECK TO SEE HOW MUCH MONEY YOU MIGHT BE ABLE TO PUT IN YOUR POCKET THE FIRST YEAR (not to mention each year of the remaining life of your loan!) by completing the following Mortgage Tax Credit Calculation:

Loan Amount	\$100,000
(times % interest rate of your Loan)	x 4.5%
Approximate Annual Interest	\$4,500
(times MCC credit rate)	x .40%
Approximate Annual Mortgage Tax Credit (cannot be more than \$2,000)	\$1,800

PLUS, in addition to taking the Mortgage Tax Credit dollar for dollar from the federal income taxes you owe each year, under current tax laws you may also be able to deduct the interest paid on your Loan each year (less an amount equal to the Mortgage Tax Credit) and your property taxes.

If you think you qualify, go to your participating Lender for further information.

I understand that the Reissued MCC will not entitle me to take tax credits in any taxable year that exceed the Credit that would otherwise have been allowable to me with the Existing MCC.

My new (refinancing) Mortgage Loan closed on _____.

The following items have been enclosed with this MCC Reissuance Application and Affidavit:

- A. A copy of the Existing MCC.
- B. A copy of the Pay-Off Statement for the previous loan.
- C. Certified copy of the Closing Disclosure Settlement Statement for the new loan.
- D. A cashier's check, money order or a check from the Title Company in the amount of \$325 payable to The Southeast Texas Housing Finance Corporation as fee for processing the MCC Reissuance Application and reissuing an MCC.

I understand that the Reissued MCC will entirely replace the Existing MCC (that is, I cannot retain the Existing MCC with respect to any portion of the outstanding amount of the Certified Indebtedness Amount on the Existing MCC).

DATED: _____

SIGNATURE OF BORROWER(S) _____