

KANSAS MORTGAGE SAVERS (KMS) PROGRAM
An Opportunity for First-time Homebuyers throughout the State of Kansas

Issued and Administered by Sedgwick County, KS

Kansas Mortgage Savers Program (KMS) is available to all first-time homebuyers in Kansas who meet the requirements described below. KMS offers either a 15% or 20% federal **tax credit** depending on the homebuyer's household income, compared to the down payment and closing cost assistance available under the Kansas Local Government Statewide Housing Program [single family mortgage revenue bond].

KMS may be used in conjunction with other first-time homebuyer programs including HOME Investment Partnership Program or the Affordable Housing Program from FHL Bank Topeka as well as others. However, under federal income tax law, KMS cannot be used in connection with a mortgage loan funded under the Kansas Local Government Statewide Housing Program.

What is the KMS Advantage?

The federal government allows each homeowner who files an itemized tax return to claim a **tax deduction** for the amount of interest paid each year on a mortgage loan.

If you use KMS to buy your home you may qualify for an increased benefit! Compare your income to the Income Limit tables show below. If you income is equal to or less than the amounts shown in the table you may qualify for either a 15% or 20% federal **tax credit**, based on the amount of interest paid on your loan. A tax credit is a dollar-for-dollar reduction of your annual federal income tax liability. Under current tax law, the remaining portion of your annual mortgage interest not claimed as a tax credit will continue to qualify as an itemized tax deduction.

The amount of your KMS tax credit depends on the amount of interest you pay on your mortgage loan. However, the amount of your tax credit cannot exceed the amount of your annual federal income tax liability. Unused mortgage credit can be carried forward for three years to offset future income tax liability.

Here's an *example* based on a homebuyer who qualifies for a 20% mortgage credit:

- ◆ If you obtain a 30-year mortgage loan of \$140,000 at 6% interest, the monthly principal and interest payment is approximately \$835.
- ◆ In the first full calendar year, you pay about \$8,400 in interest on your mortgage loan. Because you used the KMS program to buy your house, you could receive a federal income tax credit of \$1,680 (20% of \$8,400). If your federal income tax liability is \$1,680 or more, you will receive the full benefit of the KMS tax credit. If you owe less than \$1,680 in federal taxes, the unused portion can be carried forward (up to three years) to offset future income tax liabilities.

- ◆ The remaining 80% of mortgage interest, (.80 X \$8,400 or \$,720), qualifies as an itemized income tax deduction.
- ◆ To receive the immediate benefit of your KMS tax credit, you may file a revised W-4 withholding form with your employer to reduce the amount of federal income tax withheld from your wages and increase your take home pay by \$140 per month (\$1,680 divided by 12).
- ◆ By applying the increase in your take home pay of \$140 towards your monthly mortgage payment of \$686, your effective monthly principal and interest payment would be \$546, (\$686 minus \$140). Please remember that house payments include taxed and insurance too.
- ◆ A second option may be to keep the monthly principal and interest the same (\$686) and apply all or a portion of the \$140 monthly ‘savings’ directly to the loan principal. By regularly applying money *in addition* to the regular monthly mortgage payments, it will save you thousands of dollars in interest payments over the life of the loan.
- ◆ The third option would be to save money for home maintenance or improvements or family needs.

Additional Requirements

- ◆ The county in which you purchase the home must elect to participate in the program.
- ◆ First-time homebuyers are defined as persons who have not had an ownership interest in a principal residence in the last three years.
- ◆ Your mortgage loan must be a new loan, not the assumption, replacement or refinancing of an existing loan or land contract. However, you may refinance a new KMS loan.
- ◆ You must intend to make the house you purchase your principal residence and move in within 60 days of the loan closing date.

Target Areas

Higher income limits and purchase costs are allowed in designated Target Areas. These areas are located in parts of the following counties: Douglas, Geary, Montgomery, Reno, Riley, Saline, Sedgwick, Shawnee, and Wyandotte. Maps can be viewed and printed from the Sedgwick County website at http://www.sedgwickcounty.org/housing/klgshp_maps.html If you have trouble accessing the maps via the link contact the Sedgwick County Housing Department at (316) 660-7270 and we will send the map you’re interested in via e-mail, CD, or hard copy. Please state your preference when you make your request.

Completing a Homebuyer Education course is not required for KMS participants, but it is recommended. Homebuyer education courses provide an overview of the homebuying process, budgeting, anticipated home maintenance, insurance requirements, applying for a mortgage loan and title company requirements. HUD approved homebuyer education providers can be found at the following link <http://www.hud.gov/offices/hsg/sfh/hcc/states/kansas.txt>.

KMS participation is open to all mortgage lenders, but they must contact our Compliance Agent, Ranson Housing Compliance L.L.C. (316) 263-4991 to obtain the loan origination packet and required documents.

Borrower Eligibility Requirements

In order to qualify for a mortgage credit certificate under the KMS Program, a Borrower must:

- ◆ Qualify as a first-time homebuyer – one who has not held a present ownership interest in a Principal Residence within the three years – or at all.
- ◆ Have a gross annual household income as determined by the mortgage lender not in excess of the Income Limits set forth in the tables shown below.
- ◆ Be qualified for a mortgage loan under the underwriting standards set forth by a mortgage lender.
- ◆ Choose a house within the Purchase Price Limits in the table shown below.
- ◆ Occupy and use the home purchased with the mortgage loan as a permanent, principal residence within 60 days after the Closing Date (90 days in the case of a mortgage loan for the purchase and rehabilitation of an existing principal residence).
- ◆ Not use the proceeds of the mortgage loan to acquire or replace an existing mortgage or debt except in the case of certain refinancing as described in Section 8 of the KMS Program Operations Manual (contact Sedgwick County Housing Department).
- ◆ Have executed all of the necessary documents related to the KMS Program, available from the KMS compliance agent, Ranson Housing Compliance L.L.C.

KMS is a great opportunity and resource for Kansans. It may be used in conjunction with other first-time homebuyer programs including those funded with the HOME Investment Partnership Program and the Affordable Housing Program from FHLBank Topeka as well as others.

Income Limits PDR-2006-01
HOMEBUYER INCOME LIMITS
[Effective 3-18-2006]

INCOME LIMITS FOR 15% MCC¹:

Homebuyers with family incomes at or below the applicable income limit set forth below may qualify for a **15%** mortgage credit certificate rate:

	<u>NON-TARGETED AREAS</u>		<u>TARGETED AREAS</u>	
	<u>1-2 persons</u>	<u>3+ persons</u>	<u>1-2 persons</u>	<u>3+ persons</u>
Kansas City MSA (Leavenworth, Wyandotte, Johnson & Miami)	\$64,980	\$74,727	\$77,976	\$90,972
Lawrence MSA (Douglas)	61,465	70,685	73,758	86,051
Topeka MSA (Shawnee)	57,380	65,987	68,856	80,332
Wichita MSA (Sedgwick, Butler & Harvey)	58,140	66,861	69,768	81,396
All Other Areas	56,335	64,786	67,602	78,869

INCOME LIMITS FOR 20% MCC²:

Homebuyers with family incomes at or below the applicable income limit set forth below may qualify for a **20%** mortgage credit certificate rate:

	<u>NON-TARGETED AREAS</u>		<u>TARGETED AREAS</u>	
	<u>1-2 persons</u>	<u>3+ persons</u>	<u>1-2 persons</u>	<u>3+ persons</u>
Kansas City MSA (Leavenworth, Wyandotte, Johnson & Miami)	\$48,735	\$56,046	\$58,482	\$68,229
Lawrence MSA (Douglas)	46,099	53,014	55,319	64,539
Topeka MSA (Shawnee)	43,035	49,491	51,642	60,249
Wichita MSA (Sedgwick, Butler & Harvey)	43,605	50,146	52,326	61,047
All Other Areas	42,252	48,590	50,702	59,152

All income limits are subject to change in accordance with applicable provisions of the Internal Revenue Code of 1986, as amended.

¹ Based on 95% of Max. Fed. Limits

² Based on 75% of Limits for 15% MCC

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PURCHASE PRICE LIMITS: NEW and EXISTING HOMES

	Non-Target Area	Target Area
Kansas City MSA (Leavenworth, Wyandotte Johnson, Franklin, Linn & Miami)	\$238,781	\$291,844
All Other Areas	\$237,031	\$289,705