

Red Tape Review Rule Report (Due: September 1, 2025)

Department Name:	IFA	Date:	07/18/25	Total Rule Count:	4
IAC #:	265	Chapter/ SubChapter/ Rule(s):	Chapter 10	Iowa Code Section Authorizing Rule:	16.5(1) "r"
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PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

The intended benefit of Chapter 10 is to describe mortgage credit certificates (MCCs), which were authorized by Congress in the 1984 Tax Reform Act. MCCs are federal income tax credits, reducing the tax liability of qualified home buyers purchasing qualified residences.

Is the benefit being achieved? Please provide evidence.

Yes. Qualified borrowers who hold MCCs continue to benefit from the tax credit.

What are the costs incurred by the public to comply with the rule?

This chapter authorizes IFA to collect a participation fee from mortgage lenders as a condition of participation in an MCC program. The chapter also authorizes a participating lender to collect a one-time commitment fee. Finally, the chapter authorizes participating lenders to collect an application fee to be submitted to IFA in conjunction with an MCC application. The amounts of such fees are set by IFA and posted on its website.

What are the costs to the agency or any other agency to implement/enforce the rule?

There is negligible cost to the agency for this rule, because the MCC program for new reservations was discontinued on or about April 2, 2020. However, at the borrower's request, refinancing borrowers who currently hold an MCC can have it reissued if they plan to remain in the home as their primary residence.

Do the costs justify the benefits achieved? Please explain.

Yes. Only entities that will potentially benefit from the program incur any costs. The costs to the state to administer the program are proportional to the activities incented. Qualified borrowers benefit from having their tax liability reduced over a number of years, justifying the cost of fees paid up front.

Are there less restrictive alternatives to accomplish the benefit? ☐ YES ☒ NO

If YES, please list alternative(s) and provide analysis of less restrictive alternatives from other states, if applicable. If NO, please explain.

IFA did not identify any less restrictive alternatives.

Does this chapter/rule(s) contain language that is obsolete, outdated, inconsistent, redundant, or un-necessary language, including instances where rule language is duplicative of statutory language? [list chapter/rule number(s) that fall under any of the above categories]

PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

Yes. The chapter contains outdated and unnecessary language.

RULES PROPOSED FOR REPEAL (list rule number[s]):

265—Chapter 10

RULES PROPOSED FOR RE-PROMULGATION (list rule number[s] or include rule text if available):

CHAPTER 10
MORTGAGE CREDIT CERTIFICATES

265—10.1(16) General.

10.1(1) Authorization. Mortgage credit certificates (MCCs) were authorized by Congress in the 1984 Tax Reform Act as a new concept for providing housing assistance. The Iowa finance authority (authority) may elect to allocate a portion of its mortgage revenue bonding authority for single-family housing toward an MCC program. The program will be made available to home buyers through participating Iowa lenders on a first-come, first-served basis.

10.1(2) Federal Income Tax Credit. The MCC operates as a federal income tax credit. The MCC tax credit will reduce the federal income taxes of qualified home buyers purchasing qualified residences, in effect assisting buyers with their house payments.

10.1(3) Application timing. A purchaser of a new or existing single-family residence may apply for an MCC through a participating lender at the time of purchasing a home and obtaining financing through the lender. An MCC cannot be issued to a home buyer who is refinancing an existing mortgage or land contract, nor can it be used in conjunction with a mortgage financed through a mortgage subsidy bond. MCCs will be made available to home buyers with generally the same noncredit eligibility requirements as are in effect for the authority's single-family mortgage program.

265—10.2(16) Participating lenders.

10.2(1) Any mortgage lender as defined in Iowa Code section 16.1 may become a participating lender by entering into an MCC lender participation agreement with the authority. All other participating lenders may take applications for MCCs on loans closed after the effective date of the participation agreement.

10.2(2) The annual participation fee shall be (i) \$0 for a lender currently participating in the authority's First Mortgage program; (ii) \$500 for a lender not participating in the authority's First Mortgage program and with one to five branches listed on the authority's website; and (iii) \$1,000 for a lender not participating in the authority's First Mortgage program and with six or more branches listed on the authority's website.

265—10.3(16) Eligible borrowers. To be eligible to receive a mortgage credit certificate, an eligible borrower must, on the date the loan is closed:

1. Be a resident of Iowa.
2. Be a purchaser of a single-family residence who will occupy the single-family residence as a permanent, primary, principal residence located within the state.
3. Have the legal capacity to incur the obligations of the loan.
4. Agree not to rent the single-family residence any time during the term of the loan.
5. To the extent determined by the authority to assure its MCCs will be qualified mortgage credit certificates pursuant to a qualified mortgage credit certificate program, the authority shall require that the eligible borrower meet the requirements of 26 U.S.C. section 25 and the rules and regulations promulgated thereunder, as well as the requirements set forth in the MCC program guide. Copies of the program guide are available from the authority.

265—10.4(16) MCC procedures.

10.4(1) Applications for MCCs may be made with any participating lender. The applicant shall provide the lender with all information that is necessary to secure a mortgage loan and an MCC. An applicant must meet the eligibility requirements set out in rule 265—10.3(16). If the eligibility requirements are met, the participating lenders may nonetheless deny a loan, subject to all reporting and disclosure requirements of applicable state and federal law, for any reason premised on sound lending practices, including underwriting risk evaluation, portfolio diversification, and limitations on restrictions on investments or available funds.

10.4(2) If the loan is approved, the terms of the loan, including interest rate, length of loan, down payment, fees, origination charge and repayment schedule, shall not be greater than those available to similar customers that do not make application for an MCC. However, the lender may collect a one-time MCC commitment fee, which may be paid by the borrower, lender, or any other party. An MCC program application fee must accompany the MCC application and be submitted to the authority by the lender. The amount of the maximum allowable MCC commitment fee shall be \$250 and the amount of the MCC program application fee shall be (i) \$0 if the borrower currently uses an authority First Mortgage product; and (ii) \$500 if the borrower does not currently use an authority First Mortgage product.

10.4(3) No MCC will be issued unless the requirements and procedures set out in the MCC program guide are complied with by all parties to the home sale and financing.

10.4(4) An MCC may be reissued at the sole discretion of the authority if the mortgagor refinances; however, the credit may not be taken beyond the term of the original mortgage. No MCC shall be reissued unless (i) the borrower uses or continues to use the residence as its permanent, primary, principal residence; and (ii) all other requirements and procedures set out in the authority's MCC reissuance instructions are complied with, which reissuance instructions shall be posted on the authority's website.

265—10.5(16) References. All references to the United States Code in this chapter are to the laws as in effect [EFFECTIVE DATE OF RULEMAKING]. All references to the MCC program guide are to the MCC program section within that certain IFA Procedural Guide (The Single Family Department) dated March 2018. All references to the MCC reissuance instructions are to that certain Instructions for Requesting Reissuance of Mortgage Credit Certificates dated March 2019.

These rules are intended to implement Iowa Code section 16.5(1)“e,” “i”, and “t”.

***For rules being re-promulgated with changes, you may attach a document with suggested changes.**

METRICS

Total number of rules repealed:	0
Proposed word count reduction after repeal and/or re-promulgation	0
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	0

ARE THERE ANY STATUTORY CHANGES YOU WOULD RECOMMEND INCLUDING CODIFYING ANY RULES?

No.