

IMPORTANT TAX INFORMATION
Substitute IRS Form 1098-MA - Mortgage Assistance Payments

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IMPORTANT TAX INFORMATION

The following form is a substitute IRS Form 1098-MA. Please keep this form for your records and your 2016 tax preparation.

You will be receiving a **1098 Mortgage Interest Statement** for 2016 from each of your mortgage lenders or servicers. Your participation in the Hardest Hit Fund Rhode Island (HHFRI) may require a change in the way you report your mortgage interest deduction on **Schedule A - Itemized Deductions**, for your 2016 tax return. In general, you can only claim the amount of interest you personally paid to your lender/servicer, but not the amount of interest covered under any payments made by HHFRI on your behalf.

Rhode Island Housing is required to report to the IRS the amount of payments made to your lender/servicer on your behalf under HHFRI. The amounts reported to the IRS are as follows:

Borrower Tax ID # XXX-XX-XXXX Borrower Loan # XXXXXXXXXX

1.	Total State HFA/HUD and homeowner mortgage payments	\$ 3,000.00
2.	State HFA/HUD mortgage assistance payments	\$ 2,000.00
3.	Homeowner mortgage payments	\$ 1,000.00

In the above chart, line **3** is the amount **you paid to Rhode Island Housing**, (which was in turn paid to your lender/servicer), during your participation in the HHFRI program in 2016. If you were not required to make, or did not make, any payments under HHFRI, this number will be \$0. This amount does not include any payments you may have made directly to your lender/servicer before, during, or after participating in the HHFRI program.

Line **2** is the total amount **HHFRI paid to your lender/servicer on your behalf**. This amount includes payments toward principal, interest, and escrows (if applicable). It will include both first and second mortgages (if applicable).

Line 1 is the **total** of Lines 2 and 3. This number will often be higher than the 1098 Mortgage Interest Statement you receive from your lender/servicer, since it includes principal and interest payments, while the 1098 includes amounts paid for interest only.

To claim the Mortgage Interest deduction, you should calculate how much of the interest reported by the lender(s)/servicer(s) was paid by you for 2016. This will be different for each borrower. To perform this calculation, you must know how many months of HHFRI assistance you were provided, how many monthly payments you made independently, the monthly interest charged by your lender/servicer (on your payment statement or mortgage history), and whether your partial payment to HHFRI was the same or less than the interest due on your mortgage each month. The IRS has adopted a “safe harbor” method of making this calculation, which is set forth below. You should review the IRS information below or consult your accountant or tax preparer for more information, to determine whether you can use this “safe harbor” calculation. Additional instructions regarding Form 1098-MA can be found at www.irs.gov/pub/irs-pdf/f1098ma.pdf

Hardest Hit Fund Rhode Island regrets that it is unable to provide any tax advice.

IRS Instructions for Homeowner - 1098 MA- Mortgage Assistance Payments

“Safe harbor” deduction computation

You may use a “safe harbor” method to compute your deduction for mortgage interest and real property taxes on your main home if you meet two tests. First, you meet the rules to deduct all of the mortgage interest on your loan and all of the real property taxes on your main home. Second, you participated in an HFA Hardest Hit Fund program in which program payments could be used to pay mortgage interest or you participated in an EHLP (Emergency Homeowner Loan Program). If you meet these tests, then you may deduct an amount equal to the sum of all payments you actually made during the year to your mortgage servicer, the State HFA, or HUD on the home mortgage (including the amount shown in box 3 of this Form 1098-MA), but not in excess of the sum of the amounts shown on Form 1098, Mortgage Interest Statement, in boxes 1 (Mortgage interest received), 4 (Mortgage insurance premiums), and 5 (Real Property taxes). However, you are not required to use this “safe harbor” method to compute your deduction for mortgage interest and real property taxes on your main home.