

**IDAHO HOUSING AND FINANCE ASSOCIATION**

**RECAPTURE SUMMARY**

(to be provided to the applicant at loan application)

You have applied for a mortgage loan to finance the purchase of your home which will be funded with proceeds of tax-exempt bonds issued by the Idaho Housing and Finance Association. If the date of your Mortgage Loan closing occurs after December 31, 1990, the Internal Revenue Code of 1986 requires, under certain circumstances, that if you sell or otherwise dispose of an interest in the Residence within nine (9) years after the Closing Date, then your federal income tax liability for the year in which you sell or dispose of the Residence may be increased (such increase to be referred to herein as the “Recapture Amount”).

The maximum amount by which your tax may be increased (the “Maximum Recapture”), will not be more than **6.25%** times the original principal amount of your Mortgage Loan. The Maximum Recapture may be adjusted (reduced) based on three factors:

- A. The amount of your gain from the sale of Residence.
- B. The date you sell the Residence; and
- C. Your income and family size when you sell the Residence.

The Recapture Amount will be amount derived, as reduced by the above three factors, and explained below.

A. Gain Adjustment

The first adjustment to the Maximum Recapture will depend on your gain from the sale of the Residence. Under this adjustment, the Recapture Amount will not exceed 50% of the gain on the sale of the Residence for federal income tax purposes (determined without regard to Sections 1033(b) and 1034(e) of the Code and regardless of whether or not recognized for tax purposes).

In other words, the Recapture Amount will never exceed one-half of your gain (net profit) from the sale of the Residence. If you have no gain, no Recapture will be due, however, if the gain is greater than the 6.25% of the original principal amount, then the 6.25% rule is the maximum recapture.

B. Date of Sale Adjustment

The second adjustment to the Maximum Recapture based on the date you sell the Residence, will be made as follows:

If the disposition occurs during The following year after the financing is obtained:	The Applicable percentage of the Maximum Recapture is the following:
1	20%
2	40%
3	60%
4	80%
5	100%
6	80%
7	60%
8	40%
9	20%
10	0%

**IF YOU SELL THE RESIDENCE (A) MORE THAN NINE (9) YEARS AFTER THE CLOSING DATE OR (B) MORE THAN FIVE (5) YEARS AFTER THE MORTGAGE LOAN IS REPAYED, THE ACTUAL RECAPTURE AMOUNT WILL BE ZERO..**

C. Income/Family Size Adjustment

The third adjustment to the Maximum Recapture will be based on your income and family size at the time of the sale of the Residence. No Recapture Amount will be due if your “Modified Adjusted Gross Income” (defined below) is less than the applicable Adjusted Income Limit which will be provided to you on the Closing Date. Generally, the Adjusted Income Limits are equal to the maximum federal income limits in effect on the Closing Date, adjusted for family size, plus 5% (compounded) for each full year during the period beginning on the Closing Date and ending on the date of sale of the Residence.

For your taxable year when your Residence is sold, if your Modified Adjusted Gross Income exceeds the applicable Adjusted Income Limit by less than \$5,000, you will not be required to pay the Maximum Recapture, but may be required to pay a percentage of the Recapture Amount determined by dividing the excess of your Modified Adjusted Gross Income over the applicable Adjusted Income Limit by \$5,000 and rounding to the nearest whole percentage point.

Your “Modified Adjusted Gross Income” is the adjusted gross income shown on your federal income tax return for the year in which you sell the residence plus any interest received or accrued on obligations which is excluded from gross income during that year, minus the amount of your gain (generally, the sale price minus your adjusted tax basis for the Residence) from the sale of the Residence included in gross income on your federal income tax return for that year.

In other words, if your “Modified Adjusted Gross Income” for the year in which your Residence is sold is less than the Adjusted Income Limit, no Recapture will be due. If such income exceeds the Adjusted Income Limits by \$5,000 or more, you may have to pay the Maximum Recapture. If your income exceeds the Adjusted Income Limit by less than \$5,000, you may have to pay some partial Recapture.

Assumptions

If you sell the Residence and the new buyer agrees to assume the Mortgage Loan obligation (which may occur only if the new buyer meets the program requirements concerning principal residence, first-time homebuyer [except in targeted areas] purchase price and income limits) you will be subject to payment of the Recapture Amount and the new buyer will be subject to the recapture provisions described herein during a new nine (9) year recapture period commencing on the date of the Sale.

Miscellaneous

All references to the sale of the Residence include any disposition, whether by sale, exchange or the transfer of an interest in the Residence. If the disposition is not from a sale, exchange or involuntary conversion (such as the assignment of the Mortgage Loan to an insurance company as a result of a fire), you are to assume that you sold the Residence at its fair market value. If you own the Residence with one or more persons who are also liable on the Mortgage Loan, each person’s Recapture Amount will be determined separately in accordance with and proportionate to their interest in the Residence. If the Mortgage Loan is fully repaid at the time prior to the sale or disposition of the Residence, you may be subject to the payment of an adjusted Recapture Amount upon such sale or disposition.

If the Residence is destroyed in whole or in part by fire, storm or other casualty causing a compulsory or involuntary disposition of the Residence, you will not have to pay any Recapture Amount with respect to such disposition if, within two years after the end of the taxable year in which you receive insurance proceeds or other amounts as a result of the destruction, you purchase another principal residence on the same site. Generally, no Recapture Amount would be due if you transfer the Residence to a spouse, or a former spouse as a result of a divorce. In such event, your spouse (or former spouse) will be treated as if he or she was the owner of the Residence from the time that you purchase the Residence. No Recapture Amount will be due with respect to the Residence if the Residence is transferred as a result of your death.

This Recapture Summary is provided by the IHFA, for your information. Please acknowledge that you have received a copy of this notice and have read this Recapture Summary by signing in the space(s) provided below.

Any restrictions on conveyance in any loan document or deed of trust will automatically terminate if title to the mortgaged property is transferred by foreclosure or deed-in-lieu of foreclosure, or if the mortgage is assigned to the Secretary of HUD.

**IDAHO HOUSING AND FINANCE ASSOCIATION**

ACKNOWLEDGED:

\_\_\_\_\_  
Mortgagor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Mortgagor

\_\_\_\_\_  
Date