



Advantage Conventional – FTHB
***Acknowledgment of
Federal Recapture Tax
Requirements***

BORROWER NAME _____

CO-BORROWER NAME _____

The recapture tax may require some homeowners who sell their WHEDA-financed homes within nine years of loan closing to pay a portion of the profit they receive to the federal government.

The maximum amount that you may be required to pay is 6.25 percent of your original mortgage amount. For example, if your original mortgage amount is \$120,000, then 6.25 percent of \$120,000 would be \$7,500. However, this maximum amount may be reduced by one or more of the following factors:

1. One-Half Profit Maximum. You will not have to pay more than 1/2 of the profit from the sale of your home. Thus, if you realize no profit, then you pay no recapture tax; if you realize a \$2,000 profit, then you pay no more than \$1,000 in recapture tax, and so on.
2. Involuntary Sale. If your home must be sold by reason of death, you do not have to pay recapture tax, and recapture will be reduced or eliminated in certain other involuntary circumstances.
3. Income/Family Size. The amount that you must pay will be reduced or eliminated if your income does not exceed limits set by the federal government. These limits are based on formulas similar to those that determine whether you are eligible for a WHEDA loan, and anticipate an increase in your family income of five (5) percent compounded each year. The formula applicable to you will take into account your family size at the time of sale.

4. Length of Ownership. The maximum of 6.25 percent of your mortgage amount will be reduced by a factor based on how long you owned your home between the time you closed your WHEDA loan and the time you sell your home. The maximum percentage that you would have to pay is set forth below:

<u>Year after Closing</u>	<u>Percentage</u>
1	1.25
2	2.50
3	3.75
4	5.00
5	6.25
6	5.00
7	3.75
8	2.50
9	1.25

Year one is from the closing date through the first anniversary of the closing date, and so on.

After you own your own home for nine years, you no longer have to pay recapture tax when you sell your home.

There is no way to predict your exact recapture tax liability since it is based on when you sell your home, your family income and family size at the time of sale, and the amount of profit, if any, that you realize from the sale. At the closing of your loan, your lender will provide information more specifically addressing your individual situation, based on the actual amount of your home loan and the applicable income limits for the county in which your home is located.

I understand that I am eligible for the Recapture Tax Guarantee. WHEDA will reimburse me for any IRS recapture tax liability if I sell my home within the first 9 years.

I acknowledge that I have read and understand the above disclosure.

Date

Borrower's signature

(Print Name)

Co-Borrower's signature

(Print Name)