Start Up
Subsidy Recapture Disclosure Statement
and Tennessen Warning

Part 1: Subsidy Recapture Disclosure

Instructions: Borrower(s) must review the Subsidy Recapture Disclosure Statement at time of Start Up application. At closing, Borrower(s) must sign the completed form.

Because you are receiving a mortgage loan from the proceeds of a tax-exempt bond, you are receiving the benefit of a lower interest rate than is customarily charged on other mortgage loans. If you sell or otherwise dispose of your home during the next nine years, this benefit may be "recaptured." The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain and if your household income increases above specified levels.

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax.

Notice to Mortgagor of Maximum Recapture Tax and of
Method to Compute Recapture Tax on Sale of Home

Introduction

General: When you sell your home you may have to pay a recapture tax. The recapture tax may also apply if you dispose of your home in some other way. Any references in this notice to the “sale” of your home also include other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

Exceptions: In the following situations, no recapture tax is due and you do not need to do the calculations:

- You dispose of your home later than nine years after you close your mortgage loan;
- Your home is disposed of as a result of your death;
- You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under section 1041 of the Internal Revenue Code; or
- You dispose of your home at a loss.

Maximum Recapture Tax

The maximum recapture tax that you may be required to pay as an addition to your

federal income tax is $ ______________________ (note amount x 6.25 %)

This amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

Actual Recapture Tax

The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (1) 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your Recapture Amount determined by multiplying the following three numbers:

- Dollar amount noted above. Maximum Recapture Tax.
- The holding period percentage as listed in Column 1 in the applicable Table.
- The income percentage, as described below.

Income Percentage

You calculate the household income percentage as follows:

(i) Subtract the applicable household adjusted qualifying income in the taxable year in which you sell your home, as listed in Column 2 in the applicable Table, from your modified adjusted household gross income in the taxable year in which you sell your home.

Your modified household adjusted gross income means your household adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your household adjusted gross income must be increased by the amount of any interest that you receive or accrue in the taxable year from tax-exempt bonds that is excluded from your household gross income (under section 103 of the Internal Revenue Code); and (b) your household adjusted gross income must be decreased by the amount of any gain included in your household gross income by reason of the sale of your home.

(ii) If the amount calculated in (i) above is zero or less you owe no recapture tax and do not need to make any more calculations. If it is $5,000 or more, your income percentage is 100%. If it is greater than zero but less than $5,000, it must be divided by $5,000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is $1,000/$5,000, your income percentage is 20%.

Limitations and Special Rules on Recapture Tax

- If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.
- If your home is destroyed by fire, storm, flood or other casualty, there generally is no recapture tax if you replace the home for use as your principal residence on its original site within 2 years after the end of the tax year when the destruction happened.
- In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for them based on their interests in the home.
- If you repay your loan in full during the nine year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in section 143(m)(4)(C)(ii) of the Internal Revenue Code.
- Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when you sell or otherwise dispose of your home to determine the amount, if any, of your actual recapture tax. See section 143(m) of the Internal Revenue Code generally.

Targeted Areas

Pursuant to applicable federal law, targeted areas have been established for the Program. Targeted areas consist of certain census tracts in the State in which 70% of the families have an annual income of 80% or less of the statewide median income or areas determined by the State and approved by the Secretary of the Treasury of the United States and the Secretary of the United States Department of Housing and Urban Development to be areas of chronic economic distress (the "Targeted Areas").

The location of the home is NOT in a Targeted Area unless this box is checked: ☐

- Use Table 1 (page 4), under correct county chart, if home is not in a targeted area.
- Use Table 2 (page 5), under correct county chart, if home is in a targeted area. (box is checked)

Receipt acknowledged this ________ day of ________________, _______.
Date Month Year

Borrower Signature	Co-Borrower Signature
Print Name	Print Name

Table 1 Non-Targeted Area

Twin Cities Metro Counties Only Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington & Wright	Column 1	Column 2 Household Adjusted Qualifying Income[1]	
If the Borrower sells the Home in (year): [2]	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	$86,600	$99,590
1 or more, but less than 2	40%	$90,930	$104,569
2 or more, but less than 3	60%	$95,476	$109,797
3 or more, but less than 4	80%	$100,250	$115,287
4 or more, but less than 5	100%	$105,262	$121,052
5 or more, but less than 6	80%	$110,525	$127,104
6 or more, but less than 7	60%	$116,052	$133,460
7 or more, but less than 8	40%	$121,854	$140,133
8 or more, but less than 9	20%	$127,947	$147,139

Rochester MN, MSA	Column 1	Column 2 Household Adjusted Qualifying Income[1]	
If the Borrower sells the Home in (year): [2]	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	$81,700	$93,955
1 or more, but less than 2	40%	$85,785	$98,652
2 or more, but less than 3	60%	$90,074	$103,585
3 or more, but less than 4	80%	$94,577	$108,764
4 or more, but less than 5	100%	$99,306	$114,202
5 or more, but less than 6	80%	$104,272	$119,913
6 or more, but less than 7	60%	$109,485	$125,908
7 or more, but less than 8	40%	$114,960	$132,204
8 or more, but less than 9	20%	$120,708	$138,814

Greater Minnesota Counties Only Excluding 11 County Twin Cities Area and Rochester	Column 1	Column 2 Household Adjusted Qualifying Income[1]	
If the Borrower sells the Home in (year): [2]	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	$77,400	$89,010
1 or more, but less than 2	40%	$81,270	$93,460
2 or more, but less than 3	60%	$85,333	$98,133

3 or more, but less than 4	80%	$89,600	$103,040
4 or more, but less than 5	100%	$94,080	$108,192
5 or more, but less than 6	80%	$98,784	$113,601
6 or more, but less than 7	60%	$103,723	$119,281
7 or more, but less than 8	40%	$108,909	$125,246
8 or more, but less than 9	20%	$114,355	$131,508

The Adjusted Qualifying Income refers to the household income at the time the borrower(s) sells the home.

[1] Number of family members living in your home at time of sale

[2] Measured from closing date of your loan

Table 2 Targeted Areas

Twin Cities Metro Counties Only Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington & Wright	Column 1	Column 2 Household Adjusted Qualifying Income[1]	
If the Borrower sells the Home in (year):[2]	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	$103,920	$121,240
1 or more, but less than 2	40%	$109,116	$127,302
2 or more, but less than 3	60%	$114,571	$133,667
3 or more, but less than 4	80%	$120,300	$140,350
4 or more, but less than 5	100%	$126,315	$147,367
5 or more, but less than 6	80%	$132,631	$154,736
6 or more, but less than 7	60%	$139,262	$162,473
7 or more, but less than 8	40%	$146,225	$170,596
8 or more, but less than 9	20%	$153,537	$179,126

Rochester MN, MSA	Column 1	Column 2 Household Adjusted Qualifying Income[1]	
If the Borrower sells the Home in (year)[2]	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	$98,040	$114,380
1 or more, but less than 2	40%	$102,942	$120,099
2 or more, but less than 3	60%	$108,089	$126,103
3 or more, but less than 4	80%	$113,493	$132,409
4 or more, but less than 5	100%	$119,168	$139,029
5 or more, but less than 6	80%	$125,126	$145,981
6 or more, but less than 7	60%	$131,382	$153,280
7 or more, but less than 8	40%	$137,952	$160,944
8 or more, but less than 9	20%	$144,849	$168,991

Greater Minnesota Counties Only Excluding 11 County Twin Cities Area and Rochester	Column 1	Column 2 Household Adjusted Qualifying Income[1]	
If the Borrower sells the Home in (year): [2]	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	$92,880	$108,360
1 or more, but less than 2	40%	$97,524	$113,778
2 or more, but less than 3	60%	$102,400	$119,466
3 or more, but less than 4	80%	$107,520	$125,440
4 or more, but less than 5	100%	$112,896	$131,712
5 or more, but less than 6	80%	$118,541	$138,297
6 or more, but less than 7	60%	$124,468	$145,212
7 or more, but less than 8	40%	$130,691	$152,473
8 or more, but less than 9	20%	$137,226	$160,097

The Adjusted Qualifying Income refers to the household income at the time the borrower(s) sells the home.

[1] Number of family members living in your home at time of sale.

[2] Measured from closing date of your loan.

Part 2: Combined Tennessen Warning and Privacy Act Notice Homebuyer Programs

You have applied for one or more of the following Minnesota Housing Finance Agency (MHFA) programs:

- A mortgage loan
- A downpayment or closing cost assistance loan
- Mortgage credit certificate

Private data requested in your application is legally required to determine if you qualify to participate in the above programs.

Financial information, such as credit reports, financial statements and net worth calculations, are classified as private data on individuals by Minnesota Statutes Section 462A.065. All other data about you are classified as private data on individuals by Minnesota Statutes Section 13.462, except for your name, address, and amount of assistance you apply for or receive. You are not required to provide private data information, but if you refuse to provide it, we will be unable to determine your eligibility for these programs and approve your application(s). The information will be shared with MHFA's staff, its loan servicers and contractors whose jobs require them to see it, and MHFA's successors. Where access to the data is authorized by state statute or federal law, it may be made available to others as so authorized.

Your Social Security Number (SSN) is classified as private data by Minnesota Statutes Section 13.355, but if you do not disclose your SSN for the purposes described below, we will not approve your application.

- Your mortgage lender may require you to disclose your SSN so that it can comply with regulations that require it to report to you and the Internal Revenue Service the amount of mortgage interest payments you make.

- If you apply for downpayment or closing cost assistance, disclosure of your SSN to MHFA is required by Title 42 of the United States Code, Section 405(c)(2)(C)(i), which permits the state to require disclosure of your social security number to establish your identity for purposes of administering tax laws of the state; and, Minnesota Statutes Sections 270A.01 to 270A.12 (the Revenue Recapture Act), which enables the state to collect delinquent debts owed to it by capturing tax refunds and other payments that you may otherwise be entitled. Section 270A.04, subdivisions 3 and 4, require the disclosure of a debtor's social security number for this purpose. MHFA may share your SSN with the Commissioner of the Minnesota Department of Revenue and the Minnesota Attorney General for the purposes of debt collection under the Revenue Recapture Act.
- Disclosure of your SSN to the mortgage lender and MHFA is required to receive a Mortgage Credit Certificate (MCC). The lender and MHFA are required to report to the Internal Revenue Service information about individuals who have received an MCC, including their SSN, under Title 26 of the United States Code, Section 25(g), and Title 26, Code of Federal Regulations, Sections 1.25-4T and 1.25-8T.
- Disclosure of your SSN for the purposes of verifying your income and credit is voluntary. However, if adequate verification of your income and credit cannot be determined without your SSN, we may be unable to determine your eligibility.