



# Mortgage Loan Program Subsidy Recapture Disclosure Statement

**INSTRUCTIONS:** Borrower(s) must review the Subsidy Recapture Disclosure Statement at time of mortgage 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

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### Introduction

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**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 includes 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.

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### Maximum Recapture Tax

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

federal income tax is \$  (Fill in Subsidy Recapture tax amount.)

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.

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### Actual Recapture Tax

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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.

**NOTICE: If it is determined that recapture tax is owed, please contact Minnesota Housing Finance Agency to verify the Maximum Recapture Tax. It is possible, although not probable, that your Maximum Recapture Tax is less than what is quoted above.**

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### **Income Percentage**

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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%.
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### **Limitations and Special Rules on Recapture Tax**

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- 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.

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**Target Areas**

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Determined by the location of the home

Pursuant to applicable federal law, target areas have been established for the Program. Target 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 "Target Areas").

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

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

Receipt acknowledged this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.  
Date Month Year

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Borrower Signature

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Co-Borrower Signature

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Print Name

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Print Name

**Table 1 Non-Target Area**

<b>Twin Cities Metro Counties Only</b> Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington & Wright	COLUMN 1	COLUMN 2 <u>HOUSEHOLD ADJUSTED QUALIFYING INCOME<sup>1</sup></u>	
If the Borrower Sells the Home in (year): <sup>2</sup>	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	\$83,900	\$96,485
1 or more, but less than 2	40%	88,095	101,309
2 or more, but less than 3	60%	92,499	106,374
3 or more, but less than 4	80%	97,124	111,693
4 or more, but less than 5	100%	101,980	117,278
5 or more, but less than 6	80%	107,080	123,142
6 or more, but less than 7	60%	112,434	129,299
7 or more, but less than 8	40%	118,055	135,764
8 or more, but less than 9	20%	123,958	142,552

  

<b>Rochester MN, MSA</b>	COLUMN 1	COLUMN 2 <u>HOUSEHOLD ADJUSTED QUALIFYING INCOME<sup>1</sup></u>	
If the Borrower Sells the Home in (year): <sup>2</sup>	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	\$81,300	\$93,495
1 or more, but less than 2	40%	85,365	98,169
2 or more, but less than 3	60%	89,633	103,078
3 or more, but less than 4	80%	94,114	108,232
4 or more, but less than 5	100%	98,820	113,643
5 or more, but less than 6	80%	103,761	119,325
6 or more, but less than 7	60%	108,949	125,292
7 or more, but less than 8	40%	114,397	131,556
8 or more, but less than 9	20%	120,117	138,134

  

<b>Greater Minnesota Counties Only</b> Excluding 11 County Twin Cities Area and Rochester	COLUMN 1	COLUMN 2 <u>HOUSEHOLD ADJUSTED QUALIFYING INCOME<sup>1</sup></u>	
If the Borrower Sells the Home in (year): <sup>2</sup>	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	\$73,900	\$84,985
1 or more, but less than 2	40%	77,595	89,234
2 or more, but less than 3	60%	81,474	93,695
3 or more, but less than 4	80%	85,548	98,380
4 or more, but less than 5	100%	89,825	103,299
5 or more, but less than 6	80%	94,317	108,464
6 or more, but less than 7	60%	99,033	113,888
7 or more, but less than 8	40%	103,984	119,582
8 or more, but less than 9	20%	109,183	125,561

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

<sup>1</sup> Number of family members living in your home at time of sale

<sup>2</sup> Measured from closing date of your loan

**Table 2 Target Areas**

<b>Twin Cities Metro Counties Only</b> Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington & Wright	COLUMN 1	COLUMN 2 <u>HOUSEHOLD ADJUSTED QUALIFYING INCOME<sup>1</sup></u>	
If the Borrower Sells the Home in (year): <sup>2</sup>	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	\$100,680	\$117,460
1 or more, but less than 2	40%	105,714	123,333
2 or more, but less than 3	60%	110,999	129,499
3 or more, but less than 4	80%	116,549	135,974
4 or more, but less than 5	100%	122,377	142,773
5 or more, but less than 6	80%	128,496	149,912
6 or more, but less than 7	60%	134,920	157,407
7 or more, but less than 8	40%	141,666	165,278
8 or more, but less than 9	20%	148,750	173,541

  

<b>Rochester MN, MSA</b>	COLUMN 1	COLUMN 2 <u>HOUSEHOLD ADJUSTED QUALIFYING INCOME<sup>1</sup></u>	
If the Borrower Sells the Home in (year) <sup>2</sup>	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	\$97,560	\$113,820
1 or more, but less than 2	40%	102,438	119,511
2 or more, but less than 3	60%	107,559	125,486
3 or more, but less than 4	80%	112,937	131,760
4 or more, but less than 5	100%	118,584	138,348
5 or more, but less than 6	80%	124,514	145,266
6 or more, but less than 7	60%	130,739	152,529
7 or more, but less than 8	40%	137,276	160,156
8 or more, but less than 9	20%	144,140	168,163

  

<b>Greater Minnesota Counties Only</b> Excluding 11 County Twin Cities Area and Rochester	COLUMN 1	COLUMN 2 <u>HOUSEHOLD ADJUSTED QUALIFYING INCOME<sup>1</sup></u>	
If the Borrower Sells the Home in (year): <sup>2</sup>	Holding Period Percentage	Income limit for 2 or less persons	Income limit for 3 or more persons
Less than 1	20%	\$88,680	\$103,460
1 or more, but less than 2	40%	93,114	108,633
2 or more, but less than 3	60%	97,769	114,064
3 or more, but less than 4	80%	102,658	119,767
4 or more, but less than 5	100%	107,791	125,756
5 or more, but less than 6	80%	113,180	132,044
6 or more, but less than 7	60%	118,839	138,646
7 or more, but less than 8	40%	124,781	145,578
8 or more, but less than 9	20%	131,020	152,857

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

<sup>1</sup> Number of family members living in your home at time of sale.

<sup>2</sup> Measured from closing date of your loan.