Minnesota Housing Finance Agency

Start Up Program
Disclosure Summary

Below is a summary of each of the disclosures and forms that you will complete at the time of closing. Please review the documents with your loan officer or mortgage closers prior to signing. If you wish to see the actual forms, your loan officer can print them off for you. However you do not need to sign them at the time of application.

Borrower Affidavit

This document says that if you provide false information on your loan application, Minnesota Housing has the right to declare the loan due. By signing this document you are affirming, among other things, that:

- You intend to occupy the property as your primary residence within 60 days of closing.
- You will not use more than 15% of the residence as a business.
- You did not have a present ownership interest in a principal residence in the past three years.
- You provided true and correct copies of your signed tax returns.
- You have not completed any work to the subject property.
- You do not have any loans/liens/agreements with the property seller outside of the submitted purchase agreement and other agreements provided to Minnesota Housing.
- No part of the mortgage loan is being used to purchase appliances, furniture or other items not affixed to the property.
- You have disclosed **all** sources of income.

Seller/Institutional Affidavit

This document is very similar to the Borrower Affidavit but is for the property **seller** to sign. It states that the property seller (either private individuals or institutions) affirms, among other things, that:

- Buyer has not completed any work to the subject property.
- Buyer does not have any loans/liens/agreements with the property seller outside of the submitted purchase agreement and other agreements provided to Minnesota Housing.
- No part of the mortgage loan is being used to purchase appliances, furniture or other items not affixed to the property.

Personal Property Addendum and Appliance Form

Due to Minnesota Housing loan requirements, personal property, appliances, and any other items not affixed to the property cannot be purchased with first mortgage loan funds on Start Up or MCC loans.

The Personal Property Addendum can be included if personal property is not already excluded from the purchase agreement. The appliance form can only be used on FHA 203K loans or New Construction loans where the cost of the appliances has a direct effect on the settlement costs of the home.

Subsidy Recapture/Tennessen Warning

The first portion of this document explains the **subsidy recapture**. It is important to note that while the possibility of a Recapture Tax exists, it is very rare and there are steps you can take to avoid assessment of this tax.

Recapture Tax will not be assessed if:

- You own the house more than 9 years (does not need to be your principal residence the entire 9 years).
- Your modified adjusted gross income is less than the qualifying income amount at the time of sale (your income percentage is zero so you would owe no tax).
- You sell or give your house to your spouse or to your ex-spouse incident to a divorce.
- You sell your house with no gain or at a loss.

The Recapture Tax may be assessed when you sell or "otherwise dispose of your home." Below is an explanation of the calculations for the amount of the Recapture Tax as well as a list of circumstances where you will not be required to pay any Recapture Tax.

Calculations:

- Recapture Amount: 6.25% x highest principal balance of your loan (usually the original principal balance of your mortgage loan). For example $100,000 x 6.25% = $6,250. This is the most you would be required to pay when you sold your house.
- Gain on Sale: Compute your gain upon the sale of your house. The actual Recapture Tax will not be greater than one-half of your gain upon the sale of your house.
- Holding Period Percentage: This percentage is used as a multiplier, meaning the Recapture Amount will be multiplied by this percentage so as to reduce the maximum tax amount. Starting in year 0 the percentage increases each year until it reaches 100% between years 4 and 5. Then the percentage decreases each year until year 9 after which the percentage is zero (which means you will not owe a Recapture Tax.
- Income Percentage: This calculation is the most complicated and is also a multiplier. Subtract the "Household Adjusted Qualifying Income" shown on the tables on the form from your adjusted gross income (modified as explained on the form) on your tax return for the year in which you sold the house. If the result is greater than $5,000, your income percentage is 100%. If greater than $0 but less than $5,000, you divide that number by $5,000 to determine your income percentage.

Example:

You sell the house in year 7 when the holding percentage is 40%. Your modified adjusted gross income for the tax year in which you sold the house was $120,000.

- Subtract the qualifying income from the table* ($116,648) from your adjusted gross income and get $3,352.
- Divide that number by $5,000 and your income percentage is 67%.
- Multiply the maximum Recapture Amount from the example above ($6,250) by the holding percentage (40%) and then multiply that result ($2,500) by your income percentage (67%).
- The result of **$1,675** (or one-half of your gain on the sale of your house, if less) is the amount of Recapture Tax you owe.

The second portion of the document is our **privacy policy and Tennessen Warning**. This explains that your personal information such as your social security number and other identification are treated as classified/private information. They are used solely for the purposes of approving your application and are shared only with persons or entities as required for the processing of your loan. It also states that failure to provide your social security number will render your lender unable to approve your Minnesota Housing loan.

*There are separate tables in the disclosure for targeted and non-targeted areas. Targeted areas are explained in the form which will be completed at or close to closing, however a copy of the form can be provided to you by your loan officer at any time. If you have questions or concerns, please discuss them with your loan officer or contact Minnesota Housing directly. The links and census tract information related to target areas are available at www.mnhousing.gov.

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The following forms are for FHA, Conventional, VA, and Rural Development loans only.

FHA Notice to Buyers and VA Notice to Buyers

This document details the following:

- You must occupy the property as your primary residence; you may not use it as an investment property or for business purposes.
- The loan is assumable but **only** if the person buying the house qualifies for a Minnesota Housing loan. Otherwise you need to sell the property and pay off the existing lien outright and the buyer must qualify for their own financing.
- If the property is foreclosed upon and there is a balance remaining after the foreclosure sale Minnesota Housing may, at its discretion, file a judgment against you to collect the remaining balance.
- If you violate the provisions explained in these documents and the violation results in a foreclosure, HUD or VA will not be able to help you.

FHA , Conventional, VA, and RD First Mortgage Deed Amendments

These documents are loan type specific but all say essentially the same things. The important thing to know is that if you plan to transfer title of your property by nearly any means **other than** a regular sale in which you pay off the existing loan with the proceeds from the sale or you pay the loan in full prior to the sale, you must obtain permission from your servicer.