Cleveland County Home Loan Authority
Single Family Mortgage Revenue Bond Program
(First Home)
EIN# 52-1293803

NOTICE TO BUYERS/AUTHORIZATION NOTICE OF POTENTIAL RECAPTURE

Your first mortgage loan is funded from the proceeds of tax-exempt single family mortgage revenue bonds of the Cleveland County Home Loan Authority (the “Issuer”); therefore, the Mortgagor(s) is(are) receiving the benefits of a lower interest rate, and closing cost and/or down payment assistance, which may not be available with other mortgage loans not financed from such bond proceeds. If the Mortgagor(s) sell or otherwise dispose of the residence during the next 9 years, this benefit may be "recaptured". Such recapture is accomplished by an increase in the Mortgagor(s) federal income tax for the year in which the residence is sold or disposed. This recapture only applies if there is a gain resulting from the sale or disposition of the residence and the total annual household income increases above specified levels. You may wish to consult a tax advisor or the Internal Revenue Service at the time of sale or disposition of the residence to determine the amount, if any, of the recapture tax. Following closing of the first loan, you will be provided additional information that will be needed to calculate the maximum recapture tax liability at the time you sell or dispose of the residence.

Your home is being financed with a mortgage loan made available with the assistance of the Issuer. The mortgage loan is made with benefits not available with other mortgage loans. Because of this, your first mortgage expressly provides that you cannot rent your home without the Servicer’s prior written consent (which consent can only be given in very limited, extreme circumstances) or sell your home to a person ineligible for assistance from the Issuer, unless you pay your first loan in full.

In order for the first loan to be assumed, you must sell your home to a person eligible for assistance from the Issuer; otherwise, you must repay your loan in full or the Issuer may demand immediate full repayment of the loan. This could result in foreclosure of your mortgage and repossession of the property. In addition, if you rent the property or committed fraud or intentionally misrepresented yourself when you applied for the loan, the Lender may foreclose your mortgage and repossess the property. If the Lender takes your home through a foreclosure of the mortgage because of these reasons, HUD, FHA, VA, USDA, the Servicer and/or the Issuer (as applicable) will not be able to help you.

In order for first loan to be assumed, you must sell your home at or below the federally designated maximum sales price, and to purchaser who meets the applicable income requirements, in each case as in effect when you sell your home.

If the money received from the foreclosure sale is not enough to pay the remaining amount of money you owe on the first loan, the Servicer may obtain a deficiency judgment against you (a court ruling that you must pay whatever money is still owed on the loan after the foreclosure sale). Such judgment will be taken over by HUD, FHA, VA, USDA or a private mortgage insurer (as applicable). If the Servicer files an insurance claim against HUD, FHA, VA, USDA or the private mortgage insurer (as applicable) because of the foreclosure, HUD, FHA, VA, USDA or the private mortgage insurer (as applicable) may then bring an action against you to collect the judgment.

DISCLOSURE OF MORTGAGOR INFORMATION

The Mortgagor(s) hereby consent and agree that all information furnished by the Mortgagor(s) to the participating Lender, the Master Servicer, the Program Administrator and the Issuer, including but not limited to, non-public personal and financial information (the “Information”), in connection with the application for mortgage loan(s) under this program, may be disclosed to any person or other third parties in connection with the processing of the Mortgagor(s) loan application, verification of information concerning the loan or the Mortgagor(s), and for any other purpose in furtherance of orconnected with the Issuer’s program.

BORROWER AUTHORIZATION FOR COUNSELING

If I fail to make any monthly mortgage payment as agreed, I understand that the servicer of my mortgage loan may refer me to a third-party counseling organization or a mortgage insurer that will advise me about finding ways to meet my mortgage obligation. I hereby authorize the servicer to release certain information related to the servicer’s own experience with me to such third-party counseling organization or mortgage insurer, and request that the counseling party contact me. I further hereby authorize the third-party counseling organization or mortgage insurer to make a recommendation about appropriate action to take with regard to my mortgage loan, which may assist the servicer in determining whether to restructure my loan or to offer other extraordinary services that could preserve my long-term home ownership.

I/We have read and understand all the Notices and the Authorization shown above.

If the NPS was not included in the reservation, please have the NPS execute this document below the borrower(s).

______________________	______________________
Mortgagor Signature	Mortgagor Signature
______________________	______________________
Mortgagor Signature	NPS Signature

Cleveland County Home Loan Authority
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(First Home)

NOTICE OF POTENTIAL RECAPTURE

TO BE COMPLETED BY LENDER AND DELIVERED TO APPLICANT AT THE TIME OF CLOSING OF THE LOAN

INTRODUCTION

1. *General*. When you sell your home, within 9 (nine) years of its purchase, you may have to pay a recapture tax as calculated below. 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.

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

a. You dispose of your home later than nine years after you close your mortgage loans;

b. Your home is disposed of as a result of your death;

c. 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

d. You dispose of your home at a loss.

3. *Maximum Recapture Tax*. The maximum recapture tax that you may be required to pay as an addition to your federal income tax is [insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of your first mortgage loan. This amount is your federally subsidized amount with respect to the loans.

4. *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:

a. [insert the actual dollar amount resulting from the product of 6.25% multiplied by the sum of the highest principal amount of the first mortgage loan] (the maximum recapture tax, as described in paragraph 3 above),

b. The holding period percentage, as listed in Column 1 in the attached Table, and for purposes of convenience, current recapture tax calculations are included behind the attached Table. [will these be attached?]

c. The income percentage, as described in paragraph 5 below.

For purposes of convenience, current recapture tax calculations are included behind the attached Table.

5. *Income Percentage*. You calculate the income percentage as follows:

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

Your modified adjusted gross income means your 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 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 gross income (under Section 103 of the Internal Revenue Code); and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.

b. 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%.

6. Limitations and Special Rules on Recapture Tax.

a. 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.
b. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence on the site of the home financed with your original subsidized mortgage loans.
c. 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.
d. If you repay your loans 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.
e. 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.

NOTE: Closing means the closing date for your first mortgage loan.

* Lender: The actual notice to the applicant must provide the actual dollar figures for adjusted qualifying incomes for each of the years covered by the table. The entries in the first row are the highest qualifying incomes that, as of the date of the mortgage loan closing, would have met the low income requirement of Section 143(f) of the Code, taking into account whether the home financed with the subsidized mortgage loan is located in a targeted area as described in Section 143(j) of the Code (but determined without regard to Section 143(f)(3)(A) of the Code) or in a high housing cost area as described in Section 143(f)(5) of the Code. The entries in each subsequent row equal the entries in the immediately preceding row, times 1.05. The formula for determining these numbers is set forth in Section 143(m)(5) of the Code. Please refer to the "Worksheet to Compute Recapture Tax" provided by the Program Consultant in order to complete Column 2.

Please acknowledge your receipt of a copy of this notice by signing below.

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Mortgagor Signature

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Mortgagor Signature

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Mortgagor Signature

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NPS Signature

The adjusted qualifying income for each category of familiar size for each year of the 9-year period beginning on the date of closing on your first mortgage loan is set forth below.

Column 1	Column 2	Column 3	
If you dispose of your house within months*:	Holding Period Percentage	Adjusted Qualifying Income Disposition, for	
		1-2 person Household	3+ person Household
1 - 12	20%		
13 - 24	40%		
25 - 36	60%		
37 - 48	80%		
49 - 60	100%		
61 - 72	80%		
73 - 84	60%		
85 - 96	40%		
97 - 108	20%		
109 or more	No Recapture Tax		

*from closing date of your loan