

**State of Oregon**  
**NOTICE TO BORROWERS**  
**REGARDING APPLICATION OF RECAPTURE PROVISION**

**Residential Loan Program**  
**Oregon Housing and Community Services Department**

\_\_\_\_\_ (the Approved Lender) is providing mortgage financing to you available through the Department's Residential Loan Program. Your Program Loan will be funded with the proceeds of tax-exempt mortgage revenue bonds issued by Oregon Housing and Community Services Department.

Your qualification for such financing is subject to restrictions contained in Section 143 of the Internal Revenue Code of 1986, as amended. Those restrictions are contained in the Addendum to Residential Loan Application (SFMP 7) and Addendum to the Deed of Trust (SFMP 9A) which you are required to execute.

In addition, Section 143 imposes on you as homeowner, and on any person who assumes your Single-Family Mortgage Program Loan, an income tax surcharge (the "recapture" tax) in the year that you or your assignee dispose of the home. Factors that influence the actual amount of the "recapture" tax include: (1) the duration of time from the date of Program Loan closing to the date of disposition; (2) the amount of gain from the disposition of the home; and (3) your "modified adjusted gross income" in the taxable year of home disposition.

This tax applies only if you dispose of your home at a profit ("gain" for tax purposes) over your Acquisition Cost, and only to dispositions that occur in the first 9 years after the date of Program Loan closing. Further, this tax does not apply to dispositions to a spouse, or to a former spouse in divorce proceedings, by reason of death or, in certain circumstances, involuntary conversion due to fire, storm or other casualty.

The amount of the "recapture" tax increases each year after Program Loan closing until the fifth year and then decreases each year to zero after nine years. The highest amount of the tax (as a result of the holding period percentage) is in the fifth year and is equal to 6.25% of the Program Loan's original federally subsidized amount (original Program Loan balance plus Cash*Advantage* Home Loan assistance, if applicable). Applicable holding period percentages by year of disposition follow:

**CHART ONE**  
**HOLDING PERIOD PERCENTAGES**

<u>Year of Disposition</u>	<u>Holding Period Percentage</u>
1st and 9th year	20%
2nd and 8th year	40%
3rd and 7th year	60%
4th and 6th year	80%
5th year	100%

In your case, the highest amount of the "recapture" tax is .0625 times \$\_\_\_\_\_ (your original federally subsidized amount, which is the Program Loan balance plus 3% assistance, if applicable) which equals \$\_\_\_\_\_. In no event, however, may the tax exceed 50% of the gain from disposition of the home.

**A pay-off of the Program Loan without a disposition of the home will not release you or your assignee from this "recapture" tax when the home is eventually sold.**

Certain families qualify for a reduction or waiver of the "recapture" tax. If in the taxable year the home is disposed of, your "modified adjusted gross income" is less than the following applicable amounts, the "recapture" tax is waived. The "recapture" tax is partially reduced for incomes within \$5,000 above these amounts (see Example on page 6).

"Modified adjusted gross income" is defined as adjusted gross income for tax purposes, plus any interest received or accrued on investments in tax-exempt bonds, less any gain on disposition of the home recognized as income, and not deferred, for tax purposes.

**CHART TWO**  
**ADJUSTED QUALIFYING INCOME BY YEAR AND HOUSEHOLD SIZE**

	<b><u>Household Size / Income</u></b>			
	<b><u>Non-Targeted Areas</u></b>		<b><u>Targeted Areas</u></b>	
	<b><u>2 or less persons</u></b>	<b><u>3 or more persons</u></b>	<b><u>2 or less persons</u></b>	<b><u>3 or more persons</u></b>
<b><u>Benton County (Corvallis MSA)</u></b>				
<b><u>Date that you sell your home</u></b>				
Before the first anniversary of closing (**See note below)	\$72,104	\$82,920	--	--
On or after the first anniversary of closing, but before the second anniversary of closing	\$75,709	\$87,066	--	--
On or after the second anniversary of closing, but before the third anniversary of closing	\$79,495	\$91,419	--	--
On or after the third anniversary of closing, but before the fourth anniversary of closing	\$83,469	\$95,990	--	--
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	\$87,643	\$100,789	--	--
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	\$92,025	\$105,829	--	--
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	\$96,626	\$111,120	--	--
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	\$101,458	\$116,676	--	--
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	\$106,531	\$122,510	--	--
<b><u>Clackamas, Columbia, Multnomah, Washington, and Yamhill Counties (Portland-Vancouver-Beaverton MSA)</u></b>				
<b><u>Date that you sell your home</u></b>				
Before the first anniversary of closing (**See note below)	\$84,000	\$98,000	\$84,000	\$98,000
On or after the first anniversary of closing, but before the second anniversary of closing	\$88,200	\$102,900	\$88,200	\$102,900
On or after the second anniversary of closing, but before the third anniversary of closing	\$92,610	\$108,045	\$92,610	\$108,045
On or after the third anniversary of closing, but before the fourth anniversary of closing	\$97,240	\$113,447	\$97,240	\$113,447
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	\$102,102	\$119,119	\$102,102	\$119,119
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	\$107,207	\$125,075	\$107,207	\$125,075
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	\$112,568	\$131,329	\$112,568	\$131,329
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	\$118,196	\$137,895	\$118,196	\$137,895
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	\$124,106	\$144,790	\$124,106	\$144,790

**Household Size / Income**

<u>Non-Targeted Areas</u>		<u>Targeted Areas</u>	
<u>2 or less persons</u>	<u>3 or more persons</u>	<u>2 or less persons</u>	<u>3 or more persons</u>

**Deschutes County (Bend MSA)**

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**Date that you sell your home**

Before the first anniversary of closing (**See note below)	\$76,200	\$88,900	--	--
On or after the first anniversary of closing, but before the second anniversary of closing	\$80,010	\$93,345	--	--
On or after the second anniversary of closing, but before the third anniversary of closing	\$84,010	\$98,012	--	--
On or after the third anniversary of closing, but before the fourth anniversary of closing	\$88,211	\$102,912	--	--
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	\$92,621	\$108,058	--	--
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	\$97,252	\$113,461	--	--
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	\$102,115	\$119,134	--	--
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	\$107,221	\$125,091	--	--
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	\$112,582	\$131,345	--	--

**Hood River County**

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**Date that you sell your home**

Before the first anniversary of closing (**See note below)	\$62,400	\$72,800	--	--
On or after the first anniversary of closing, but before the second anniversary of closing	\$65,520	\$76,440	--	--
On or after the second anniversary of closing, but before the third anniversary of closing	\$68,796	\$80,262	--	--
On or after the third anniversary of closing, but before the fourth anniversary of closing	\$72,235	\$84,275	--	--
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	\$75,847	\$88,488	--	--
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	\$79,639	\$92,913	--	--
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	\$83,621	\$97,558	--	--
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	\$87,803	\$102,436	--	--
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	\$92,193	\$107,558	--	--

**Household Size / Income**

<u>Non-Targeted Areas</u>		<u>Targeted Areas</u>	
<u>2 or less persons</u>	<u>3 or more persons</u>	<u>2 or less persons</u>	<u>3 or more persons</u>

**Jackson County (Medford MSA)**

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**Date that you sell your home**

Before the first anniversary of closing (**See note below)	\$66,480	\$77,560	\$73,320	\$85,540
On or after the first anniversary of closing, but before the second anniversary of closing	\$69,804	\$81,438	\$76,986	\$89,817
On or after the second anniversary of closing, but before the third anniversary of closing	\$73,294	\$85,509	\$80,835	\$94,307
On or after the third anniversary of closing, but before the fourth anniversary of closing	\$76,958	\$89,785	\$84,877	\$99,023
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	\$80,806	\$94,274	\$89,120	\$103,974
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	\$84,847	\$98,988	\$93,576	\$109,173
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	\$89,089	\$103,937	\$98,255	\$114,631
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	\$93,544	\$109,134	\$103,168	\$120,363
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	\$98,221	\$114,591	\$108,327	\$126,381

**Lane County (Eugene-Springfield MSA)**

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**Date that you sell your home**

Before the first anniversary of closing (**See note below)	\$68,640	\$80,080	\$73,320	\$85,540
On or after the first anniversary of closing, but before the second anniversary of closing	\$72,072	\$84,084	\$79,986	\$89,817
On or after the second anniversary of closing, but before the third anniversary of closing	\$75,675	\$88,288	\$80,835	\$94,307
On or after the third anniversary of closing, but before the fourth anniversary of closing	\$79,459	\$92,702	\$84,877	\$99,023
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	\$83,432	\$97,337	\$89,120	\$103,974
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	\$87,603	\$102,204	\$93,576	\$109,173
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	\$91,984	\$107,314	\$98,255	\$114,631
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	\$96,583	\$112,680	\$103,168	\$120,363
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	\$101,412	\$118,314	\$108,327	\$126,381

**Household Size / Income**

<u>Non-Targeted Areas</u>		<u>Targeted Areas</u>	
<u>2 or less persons</u>	<u>3 or more persons</u>	<u>2 or less persons</u>	<u>3 or more persons</u>

**Linn County**

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**Date that you sell your home**

Before the first anniversary of closing (**See note below)	\$64,711	\$74,418	\$73,320	\$85,540
On or after the first anniversary of closing, but before the second anniversary of closing	\$67,947	\$78,139	\$76,986	\$89,817
On or after the second anniversary of closing, but before the third anniversary of closing	\$71,344	\$82,046	\$80,835	\$94,307
On or after the third anniversary of closing, but before the fourth anniversary of closing	\$74,911	\$86,148	\$84,877	\$99,023
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	\$78,657	\$90,456	\$89,120	\$103,974
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	\$82,590	\$94,978	\$93,576	\$109,173
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	\$86,719	\$99,727	\$98,255	\$114,631
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	\$91,055	\$104,714	\$103,168	\$120,363
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	\$95,608	\$109,949	\$108,327	\$126,381

**Marion and Polk Counties (Salem MSA)**

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**Date that you sell your home**

Before the first anniversary of closing (**See note below)	\$64,031	\$73,636	\$73,320	\$85,540
On or after the first anniversary of closing, but before the second anniversary of closing	\$67,233	\$77,318	\$76,986	\$89,817
On or after the second anniversary of closing, but before the third anniversary of closing	\$70,594	\$81,184	\$80,835	\$94,307
On or after the third anniversary of closing, but before the fourth anniversary of closing	\$74,124	\$85,243	\$84,877	\$99,023
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	\$77,830	\$89,505	\$89,120	\$103,974
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	\$81,722	\$93,980	\$93,576	\$109,173
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	\$85,808	\$98,679	\$98,255	\$114,631
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	\$90,098	\$103,613	\$103,168	\$120,363
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	\$94,603	\$108,794	\$108,327	\$126,381

**Household Size / Income**

<u>Non-Targeted Areas</u>		<u>Targeted Areas</u>	
<u>2 or less persons</u>	<u>3 or more persons</u>	<u>2 or less persons</u>	<u>3 or more persons</u>

**Umatilla County**

**Date that you sell your home**

Before the first anniversary of closing (**See note below)	\$62,640	\$73,080	\$73,320	\$85,540
On or after the first anniversary of closing, but before the second anniversary of closing	\$65,772	\$76,734	\$76,986	\$89,817
On or after the second anniversary of closing, but before the third anniversary of closing	\$69,060	\$80,570	\$80,835	\$94,307
On or after the third anniversary of closing, but before the fourth anniversary of closing	\$72,513	\$84,599	\$84,877	\$99,023
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	\$76,139	\$88,829	\$89,120	\$103,974
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	\$79,946	\$93,270	\$93,576	\$109,173
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	\$83,943	\$97,934	\$98,255	\$114,631
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	\$88,140	\$102,830	\$103,168	\$120,363
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	\$92,547	\$107,972	\$108,327	\$126,381

**All Other Counties**

**Date that you sell your home**

Before the first anniversary of closing (**See note below)	\$61,100	\$70,265	\$73,320	\$85,540
On or after the first anniversary of closing, but before the second anniversary of closing	\$64,155	\$73,778	\$76,986	\$89,817
On or after the second anniversary of closing, but before the third anniversary of closing	\$67,362	\$77,467	\$80,835	\$94,307
On or after the third anniversary of closing, but before the fourth anniversary of closing	\$70,730	\$81,340	\$84,877	\$99,023
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	\$74,267	\$85,407	\$89,120	\$103,974
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	\$77,980	\$89,677	\$93,576	\$109,173
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	\$81,879	\$94,161	\$98,255	\$114,631
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	\$85,973	\$98,869	\$103,168	\$120,363
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	\$90,272	\$103,813	\$108,327	\$126,381

**\*\*Note: Closing means closing date for your loan.**

Figures in Chart Two are based upon statewide and area median incomes effective 3/19/09.

## RECAPTURE EXAMPLE

Details with respect to this "recapture" tax are available from a tax adviser. The IRS Form 8828 provides additional details for "recapture" tax calculations. The following example is provided as general information to assist your assessment of the "recapture" tax impact.

**These Example figures are hypothetical:** Home is located in Marion County in a non-target area; \$189,000 federally subsidized amount; sellers' income at time of sale is \$100,000 with a household size of 4; the home is held 6 years and 2 months; and the gain on the sale is \$30,000.

The recapture is the lesser of: 1) one half the gain on the sale; 2) the maximum recapture; or 3) the adjusted recapture. **NOTE: If the income at the time of sale falls below the figure on Chart Two, no recapture is due.** For the above figures, the recapture calculations are:

1. One half the gain on the sale is:  $\$30,000 \times .5 = \underline{\$15,000}$

2. Maximum recapture is:

\$189,000.00	(original federally subsidized amount)
x .0625	(maximum recapture percentage)
<u>x .6</u>	(holding period percentage, Chart One - 6 years, 2 months is in year 7)
<u>\$7,088.00</u>	(rounded up)

3. Adjusted recapture for income adjustment is:

	\$100,000.00	
minus	<u>98,679.00</u>	(from Chart Two)
	1,321.00	
divided by	<u>5,000.00</u>	
	.264	round to .26 (adjusted percentage - in no case will the applicable figure exceed 1.0)
	\$ 7,088.00	(adjusted recapture is maximum recapture)
times	<u>.26</u>	(adjusted percentage)
	<u>\$ 1,843.00</u>	(rounded up)

**REMEMBER:** If the annualized gross household income at the time of sale falls below the figure in Chart Two, by household size and year of disposition, no recapture is due. See IRS Form 8828, "Recapture of Federal Mortgage Subsidy" for additional details.

Acknowledged:

\_\_\_\_\_  
*Borrower* *Date*

\_\_\_\_\_  
*Co-Borrower* *Date*