

**Exhibit E**  
**Mortgage Credit Certificate Program**  
**Notice to Eligible Borrower Regarding Potential Recapture Tax**  
**and Mortgagor Affidavit**

**NOTE: This document must be notarized and may not be executed by Power of Attorney.**

Reservation Date \_\_\_\_\_ LHC MCC Number \_\_\_\_\_  
Mortgage Loan Amount \_\_\_\_\_ Acquisition Cost \_\_\_\_\_

Applicant(s) _____	Social Security Number(s) _____	Income _____
_____	_____	_____
_____	_____	_____

Total Persons in Household \_\_\_\_\_ Total Gross Annual Household Income \_\_\_\_\_

**Copies of Federal Income Tax Returns filed with the IRS for the past three (3) years for all borrower(s) and spouse, and one (1) year for all other household members over the age of 18 have been submitted to the Lender or the reasons for exemption from filing.**

**Household Income includes the anticipated gross income from all sources of all persons in the household 18 years of age or over.**

Property Address \_\_\_\_\_  
Property City \_\_\_\_\_ Property Parish \_\_\_\_\_  
Property State \_\_\_\_\_ Property Zip Code \_\_\_\_\_  
Targeted / Non Targeted \_\_\_\_\_ Census Tract \_\_\_\_\_ New / Existing \_\_\_\_\_

Originator \_\_\_\_\_

	Name	Phone	Email
Loan Officer	_____	_____	_____
Processor	_____	_____	_____
Underwriter	_____	_____	_____

## Notice to Eligible Borrower Regarding Potential Recapture Tax

I am applying for a Mortgage Credit Certificate from Louisiana Housing Corporation (the "Corporation") and understand that there is a potential repayment of a portion of the interest saving that I may receive. Pursuant to Section 143(m) of the Internal Revenue Code of 1986, if you sell, exchange, or otherwise dispose of your home (Disposition) during the next nine (9) years a portion of this benefit may be recaptured by the Internal Revenue Service. Federal tax laws may require payment by you to the federal government of a "recapture tax" of up to 6.25% of the loan amount or not to exceed 50% of the gain realized on the sale or transfer. Therefore, I acknowledge and understand that I may owe recapture tax to the Internal Revenue Service if ALL three (3) of the following occur:

1. I sell the residence prior to the ninth (9<sup>th</sup>) anniversary date of the closing date, AND
2. I make a profit on the sale of the residence, AND
3. My household income for the year in which the sale occurs exceeds the federal threshold income limits.

The federal threshold income limit is the Federal Recapture Tax Income Limit at the time of the property purchase closing date compounded 5% per year that the borrower has remained in the residence.

You may wish to consult with a tax advisor or the local office of the Internal Revenue Service at the time of disposition of your home to determine the amount, if any, of the recapture tax. There is no way to predict the amount of "recapture tax" borrowers may be required to pay. Also, the Corporation will not calculate the amount of "recapture tax" you may owe upon disposition of your home. You may request a copy of the current federal income limits in advance from your participating lender or by contacting the Louisiana Housing Corporation.

### NOTICE TO MORTGAGOR OF MAXIMUM RECAPTURE TAX AND OF METHOD TO COMPUTE RECAPTURE TAX ON SALE OF HOME

#### A. INTRODUCTION.

1. General. When you sell your home 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 loan.
  - 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.
  - d) You dispose of your home at a loss.

B. **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 the mortgage loan]. 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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C. **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.
2. Your recapture amount determined by multiplying the following three numbers:
  - i. \_\_\_\_\_ [insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan] (the Maximum Recapture Tax, as described in paragraph B above),
  - ii. The Holding Period Percentage, as listed in Column I in the Table below, and
  - iii. The Income Percentage, as described in Paragraph D below.

D. **INCOME PERCENTAGE.** Calculate the income percentage as follows:

1. Subtract the applicable adjusted qualifying income in the taxable year in which you sell your home, as listed in Column 2 in the 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 received 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.

2. 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%.

E. **LIMITATIONS AND SPECIAL RULES ON RECAPTURE TAX.**

1. 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.
2. 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 loan.
3. 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.
4. 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.
5. 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. Section 143(m) of the Internal Revenue Code generally.

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**TABLE**

(Column 1)

(Column 2)

Adjusted Qualifying Income  
Number of Family Members Living in Your Home  
at the Time of Sale

<u>Date that you sell your home</u>	<u>Holding Period Percentage</u>	<u>2 or Less</u>	<u>3 or More</u>
Before the first anniversary of closing (see note below)	20%	_____	_____
On or after the first anniversary of closing, but before the second anniversary of closing	40%	_____	_____
On or after the second anniversary of closing, but before the third anniversary of closing	60%	_____	_____
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	_____	_____
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	_____	_____
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	_____	_____
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	_____	_____
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	_____	_____
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	_____	_____

**NOTE: Closing means the closing date for your loan.**

# Mortgagor Affidavit

The undersigned, as part of the application to the Louisiana Housing Corporation (the "Corporation") for a Mortgage Credit Certificate, hereby states under oath:

1. I am the purchaser(s) and mortgagor(s) of the single-family residence, listed above, and certify the information provided on this document to be true and correct.
2. I intend to occupy such residence as my principal residence and not as an investment property, vacation, or recreational home, no later than sixty (60) days after the date of closing of the First Mortgage Loan.
3. The residence contains less than or equal to four (4) units, all of which will be owned by the mortgagor(s). Multi-family dwelling must be at least five (5) years in age.
4. I will use no more than 15% of the total area of the residence for commercial use, except for the rental of the second, third, or fourth units in a multi-unit residence described in Section Three (3).  
Commercial use is defined as:
  - a) Use on a regular basis for
    - i. Storage of inventory for use in a trade or business for which the residence is the sole fixed location, or
    - ii. Providing day care services
  - b) Exclusive use on a regular basis as the principal place of business for any other trade or business.
5. I will not fail to occupy my residence for a continuous period of more than one year or if the residence ceases to be my principal residence, the Mortgage Credit Certificate will be automatically revoked, and I will no longer be entitled to claim the credit. I will immediately notify the Corporation in writing if the residence ceases to be my principal, permanent residence.
6. I do not intend to:
  - a. Rent the unit I occupy as my principal residence to any other person(s).
  - b. Sell, assign, or transfer the property at any time within the foreseeable future to any other person (except for rental of units in a multi-unit property described in Section 3) or subdivide the property in any way even if allowed by local law.
  - c. Move the residence.
7. The land on which the home is located, and which will be financed by the Mortgage Loan:
  - a. Is no more than is needed to maintain the basic livability of the residence.
  - b. Will not provide me with more than an incidental source of income.
8. The Acquisition Cost of the residence is listed above. I understand that for the purpose of the foregoing, the Acquisition Cost of the residence is the costs of acquiring the residence from the seller(s) as a completed residential unit. The Acquisition Cost includes:
  - a. All amounts paid previously or in the future, either in cash or in kind, by the purchaser (or a related party or for the benefit of the purchaser) to the seller(s) (or a related party or for the benefit of the seller(s)) as consideration for the residence.
  - b. Points paid by the seller(s) excluding "usual and reasonable settlement and financing costs".
  - c. Additional amounts paid for fixtures under state law (i.e., light fixtures, window treatments, floor carpeting).
  - d. If a residence is incomplete, the reasonable cost of completing the residence whether or not the cost of completing construction is to be financed with proceeds of the mortgage loan.
  - e. The capitalized value using discount rate established by the issuer of ground rent.
  - f. Other amounts including any agreements, whether oral or written, property taxes in excess of the mortgagor(s) pro-rata share, and settlement and financing costs in excess of the usual and

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reasonable costs, hook-up, tap-in, site improvements, architectural and builder fees, permits, subcontracted items, construction loan interest and commissions.

9. The Acquisition Cost does not include:
  - a. The usual and reasonable settlement or financing costs. Settlement costs include titling and transfer costs, title insurance, survey fees, or other similar costs. Financing costs include credit reference fees, legal fees, appraisal expenses, "points" which are paid by the purchaser(s) (but not the seller(s), even though borne by the purchaser(s) through a higher purchase price), or other costs of financing the residence.
  - b. The value of services performed by any purchaser's family in completing the residence. For purposes of the preceding sentence, the family of an individual includes only the individual's brothers and sisters (whether by whole or half blood), spouse, ancestors, and lineal descendants.
  - c. The costs of land which has been owned by any purchaser(s) for at least two years prior to the date on which construction of the residence begins.
10. I have not entered into any agreement with the seller(s) of the residence, the developer, the contractor, or any other person pursuant to which any portion of the residence has been left unfinished or any fixtures or other necessary architectural appointments have been omitted or removed from the residence in order to reduce the acquisition cost.
11. I am not buying any unattached items of personal property from the seller(s) in connection with the residence, except as itemized with the amount of their purchase price that does not exceed their fair market value and attached hereto and incorporated into this Affidavit.
12. For homes in Non-Targeted areas, all applicant(s) and spouses have submitted the most recent three (3) years federal income tax returns or reasons exempted by law to do so.
13. For homes in Targeted areas and qualified Military Veterans, all applicant(s) and spouses have submitted the most current year federal income tax return or reasons exempted by law to do so.
14. I have not had an ownership interest in a principal residence within three (3) years of loan closing (*principal residence includes single family detached, condominium, shares in housing cooperative, occupancy in an owned multi-family housing unit, factory-made housing affixed to real property; ownership includes full or partial ownership interest, fee simple, joint ownership interest by joint tenancy, tenancy in common or tenancy in entirety, in interest of a tenant-stockholder in a cooperative, a land contract under which possession and the burdens and benefits of ownership are transferred, even if legal title is until some later date, ownership interest in trust or life estate interest*).
15. No portion of the financing of the residence will be provided from the proceeds of any tax-exempt Mortgage Revenue Bond or other tax-exempt obligations.
16. I do not have an application in process nor have I received a commitment for a mortgage loan under any other single family mortgage revenue bond program.
17. No person related to me has or is expected to have an interest as a creditor in the mortgage loan.
18. I must meet all federally and locally mandated requirements to qualify for the mortgage loan.
19. The Mortgage Credit Certificate is not limited to indebtedness incurred from a particular lender.
20. I have been advised by the Lender to consult a tax accountant or to calculate federal tax consequences as a result of participation in the Mortgage Credit Certificate Program including, but not limited to, my sale of the residence, and not to rely solely on any statements made by the Lender or the Corporation.
21. The Mortgage Credit Certificate may be transferred.
22. I have been advised that use of the Mortgage Credit Certificate will reduce my mortgage interest deduction for federal tax purposes and the Mortgage Credit Certificate does not offer any state income tax credit.

- 23. I understand that changed loan conditions in acquisition cost, household income, and other program requirements may disqualify me at closing from receiving a Mortgage Credit Certificate although at the time of application I was eligible to receive a certificate.
- 24. I understand that the maximum annual value of the credit is \$2,000 or the applicable tax credit amount, whichever is less.
- 25. **I acknowledge and understand that this affidavit is being made under penalties of perjury and will be relied on for purposes for determining my eligibility of a Mortgage Credit Certificate. Any fraudulent statement will result in:**
  - a. **The revocation of my Mortgage Credit Certificate, AND**
  - b. **A \$10,000 penalty under Section 6709 of the Internal Revenue Code.**
- 26. **Any material misstatement due to negligence on my part will result in monetary penalty of \$1,000 under Section 6709(a) of the Internal Revenue Code. Furthermore, any material misstatement due to negligence or misstatement due to fraud that is discovered upon issuance of Mortgage Credit Certificate will result in the immediate revocation of Mortgage Credit Certificate, deeming the Mortgage Credit Certificate null and void, without any further action by Louisiana Housing Corporation.**

*There are important legal consequences to this Affidavit. Read carefully before signing.*

(EXECUTION AT APPLICATION)

Date: \_\_\_\_\_

Applicant (Please Type Name): \_\_\_\_\_

Date: \_\_\_\_\_

Applicant (Please Type Name): \_\_\_\_\_

Date: \_\_\_\_\_

Applicant (Please Type Name): \_\_\_\_\_

(EXECUTION AT CLOSING)

Date: \_\_\_\_\_

Applicant (Please Type Name): \_\_\_\_\_

Date: \_\_\_\_\_

Applicant (Please Type Name): \_\_\_\_\_

Date: \_\_\_\_\_

Applicant (Please Type Name): \_\_\_\_\_

STATE OF LOUISIANA

PARISH OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, before me, a Notary Public within and for said Parish and State, personally appeared

\_\_\_\_\_, to me known to be the person(s) described in and who, being by me first duly sworn, executed the foregoing Notice to Borrower of Potential Recapture Tax and Mortgagor Affidavit, and acknowledged, deposed and said that he/she/they executed the same as his/her/their free act and deed and states that the information and certifications contained therein are true and correct.

My commission expires:

\_\_\_\_\_

Notary Public