



Form – 015

Preliminary Notice to Applicants of Potential Recapture of Federal Subsidy

I am applying for assistance through North Carolina Housing Finance Agency (NCHFA) in the form of a Mortgage Loan and/or Mortgage Credit Certificate (MCC). I understand that there is a potential repayment (“recapture”) of a portion of the interest savings that I may receive as a result of the MCC or Mortgage Loan funded through proceeds of tax exempt bonds issued by the North Carolina Housing Finance Agency. The recapture is accomplished by an increase in your federal income tax due for the year in which you dispose of your Residence.

You should consult with your tax advisor at the time you sell or transfer the Residence to determine the amount, if any, of such tax liability.

Therefore, I certify that I may owe recapture tax to the Internal Revenue Service if all three of the following occur:

- 1. I sell (or dispose of) my Residence prior to the ninth anniversary date of the closing date, AND
2. I make a profit on the sale, AND
3. My household income for the year in which the sale occurs exceeds the Federal Threshold Income Limits.

A Notice to Mortgagors of Potential Recapture of Federal Subsidy will be provided on the date of closing by the lender and NCHFA will mail the Federal Threshold Income Limits and other recapture information within 90 days after closing. Both forms pertain to the “recapture” provisions imposed by the Internal Revenue Code of 1986, as amended. I understand that I will be required to file federal tax form (IRS Form 8828) along with my federal income tax returns for the year in which the residence is sold or otherwise disposed of in some other manner. The maximum recapture tax payable, if any, is the lesser of 6.25% of the loan amount, or 50% of the gain on the sale.

Date Signature of Borrower Print Name

Date Signature of Co-Borrower Print Name

See www.nchfa.com for detailed Recapture Tax information including potential reimbursement of tax paid to IRS, applicable to Mortgage Loans only. (Reimbursement does not apply to MCC).