

Recapture Explored

**NC 1st Home Advantage Down Payment \$8k and
NC Home Advantage Tax Credit (MCC)**

NORTH CAROLINA

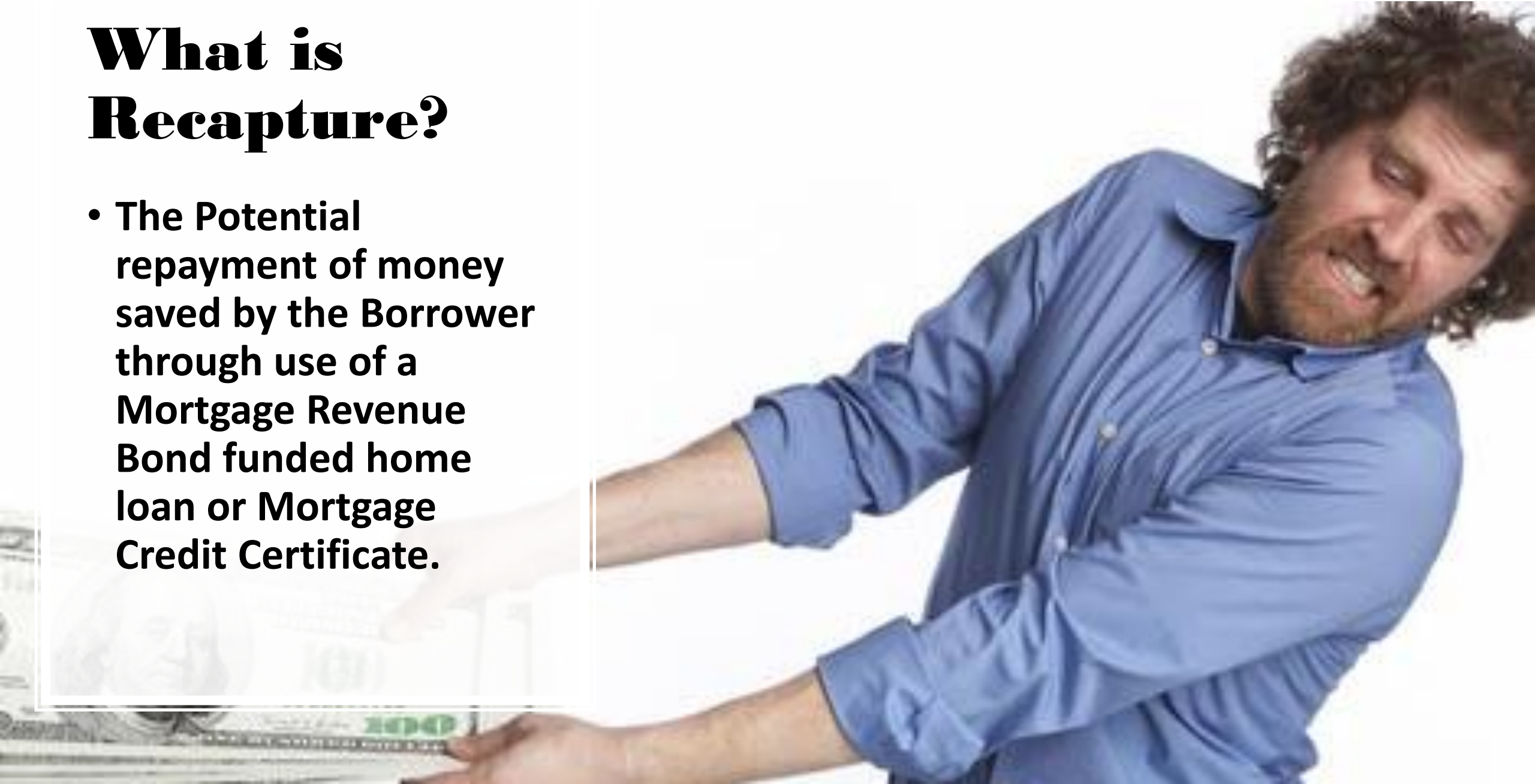
HOUSING

FINANCE

AGENCY

What is Recapture?

- **The Potential repayment of money saved by the Borrower through use of a Mortgage Revenue Bond funded home loan or Mortgage Credit Certificate.**



What Programs are Affected?

- NC Home Advantage Tax Credit (Mortgage Credit Certificate)
- NC 1st Home Advantage Down Payment (\$8k DPA) in all 100 NC Counties.

WHEN does it Apply?

- Property is **SOLD** prior to the Ninth (9th) Anniversary of the Purchase.
- A **NET PROFIT** is made on the sale.
- Borrower's Income **EXCEEDS** the Threshold in effect in the Year of Sale.
- **ALL THREE** things **MUST** happen for Recapture to occur.



How is it Paid?

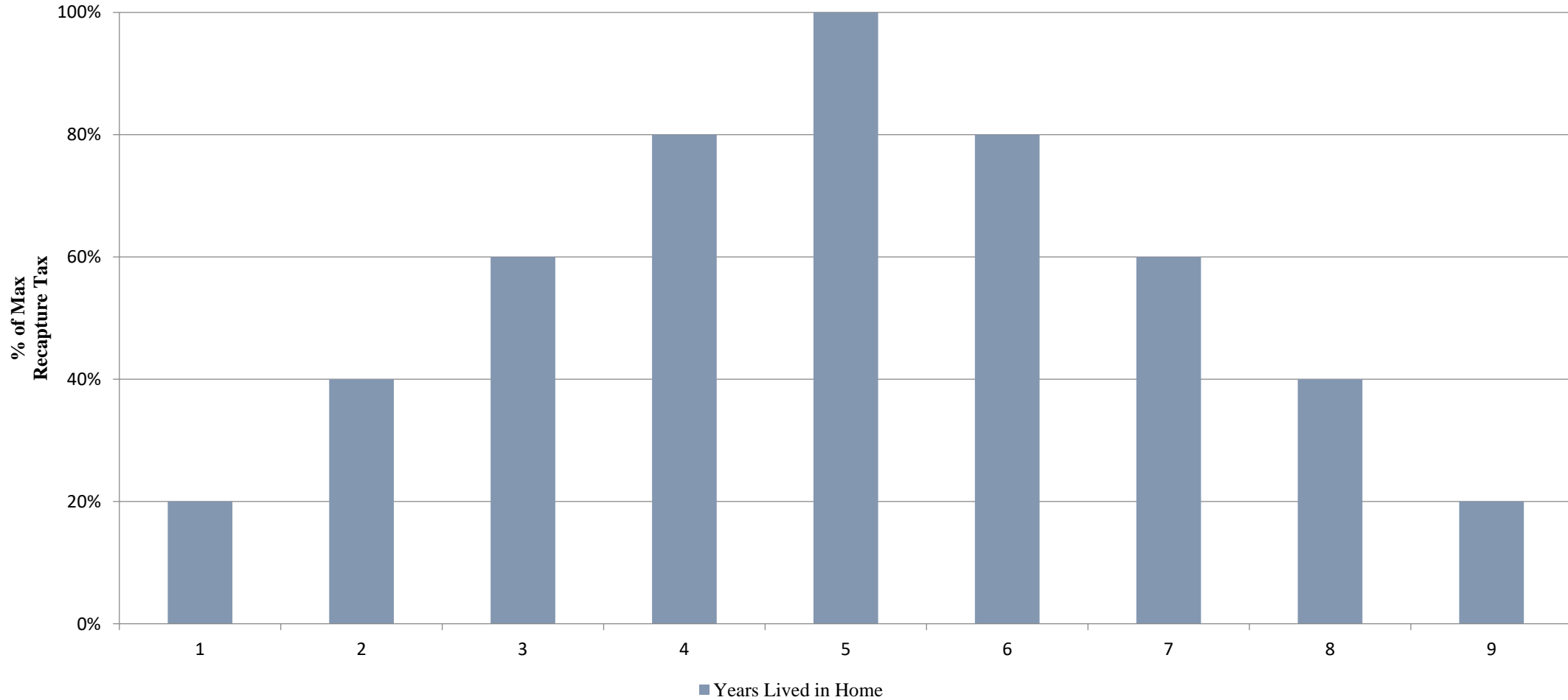
With Federal Tax payment in the filing year of the sale of the residence.

Worst Case Scenario?

- 6.25% of the original loan or 50% of the profit
- Adjusted by year of sale, amount of profit, income factor.

Holding Period Adjustment

Maximum Tax is 6.25% of the Original Mortgage



What is Threshold Income?

- The Gross amount of Household Income allowed **before** Recapture would apply.
- Changes **EVERY** year – goes up by **5%**

Adjustment Example: Threshold Income

	Occupants 2 or fewer	Occupants 3 or more
• At closing through Year 1	\$ 67,000	\$ 77,050
• Year 2	\$ 70,350	\$ 80,902
• Year 3	\$ 73,867.50	\$ 84,947.63
• Year 4	\$ 77,560.88	\$ 89,195.01
• Year 5	\$ 81,438.92	\$ 93,654.76
• Year 6	\$ 85,510.86	\$ 98,337.49
• Year 7	\$ 89,786.41	\$ 103,254.37
• Year 8	\$ 94,275.73	\$ 108,417.09
• Year 9	\$ 98,989.51	\$ 113, 837.94

Recapture Example

- Original Loan Amount: \$150,000
- Sale Date: Year 7 (60% - from Holding Period Adjustment Chart)
- Net Profit: \$ 18,000
- Threshold Income Exceeded: \$ 2,300
- **Step One**
(Loan Amt) / \$150,000 x .0625 = \$ 9,375 x .60 (Year of Sale) = **\$5,625** max recapture
- **Step Two**
(Net Profit) \$18,000 x 50% = ~~\$9,000~~ Higher than \$5,625, so not used
- **Step Three**
(Over Income) \$2,300 / 5000 (per IRS) = .46 factor
- **Step Four**
Max Recapture from Step One **\$5625** x .46 Factor Step Three = **\$2,588** Recapture

RECAPTURE VS REPAYMENT

	3% & 5% NC Home Ad	\$8,000 DPA Bond	MCC Program
Potential Recapture	NO	YES	YES
DPA REPAYMENT	YES Fully forgiven by year 15, 20% /year in years 11-15 Repayable years 1-15	YES Fully forgiven by year 15, 20% /year in years 11-15 Repayable years 1-15	NO
Mortgage Revenue Bond Funding (MRB)	NO	YES	YES

Submission Matrix

Document Submission Matrix

Checklist Reminder for NCHFA Programs

¹All occupants MUST BE first-time home buyers (or honorably discharged, veterans)

Note: Additional forms or documentation may be needed upon full loan review.

	NC Home Advantage	\$8,000 DPA ("Bond" Program)	Mortgage Credit Certificate
Required Documents	No DPA; 3% DPA; 5% DPA	\$8,000 DPA Program ¹	MCC Program ¹
Lender Provided Documents Needed - BEFORE Closing:			
1003 (loan amounts must match AUS Findings)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
URAR – Appraisal – All Pages (color, PDF)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Form 08 Underwriter Certification		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
AUS Findings (DU on Conventional; LP or DU on FHA/USDA/VA)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Loan Estimate (1 st Mortgage; loan amounts must match 1003)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Loan Estimate for DPA 2 nd (use LE generated from your LOS system)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Pre-Purchase Education Certificate	<input checked="" type="checkbox"/> (if a first-time buyer)	<input checked="" type="checkbox"/>	
YTD Paystub (dated within 45 days)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
VOEs		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
W2s/1099s for Previous Tax Year Only		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Tax Transcripts – Federal Only – Last 3 Years (prior year signed return)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
NCHFA Documents Needed - BEFORE Closing:			
Form 013 – Seller Affidavit		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Form 015 – Preliminary Notice to Applicants of Potential Recapture		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Form 016 – Mortgage Affidavit and Borrower Certification		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Form 026 – Notice to Borrower (if using DPA)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
NCHFA Documents Required - AT Closing:			
Closing Disclosure (final, signed at closing)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Form 405 – DPA Deed of Trust	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Form 406 – DPA Promissory Note	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Form 101 – Borrower Closing Affidavit		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Form 102 – Lender Closing Affidavit		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
FHA Award Letter (signed; FHA loans only)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

Thank You!

We look forward to helping you!

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