

JEFFERSON PARISH FINANCE AUTHORITY

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM

NOTICE TO BUYERS/ NOTICE OF POTENTIAL RECAPTURE

This mortgage loan is funded from the proceeds of tax-exempt single family mortgage revenue bonds issued by Jefferson Parish Finance Authority (the "Authority"); therefore, the Mortgagor(s) is(are) receiving the benefits of a lower interest rate, other cash costs and/or down payment assistance than is available with other mortgage loans. 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 loan closing, 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 Authority. This mortgage loan is made with benefits not available with other mortgage loans. Because of this, your mortgage loan provides that you cannot rent your home without the Mortgage 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 Authority, unless you pay your mortgage loan in full.

If you rent the property or committed fraud or intentionally misrepresented yourself when you applied for the mortgage loan, the Lender may foreclose your mortgage loan and repossess the property. If the Lender takes your home through a foreclosure of the mortgage loan because of these reasons, HUD, FHA, VA, USDA, the Servicer and/or the Authority (as applicable) will not be able to help you.

If your mortgage is foreclosed upon and the money received from the foreclosure sale is not enough to pay the remaining amount of money you owe on the mortgage loan, the Servicer may obtain a deficiency judgment against you (a court ruling that you must pay whatever money is still owed on the mortgage 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.

JEFFERSON PARISH FINANCE AUTHORITY
SINGLE FAMILY MORTGAGE REVENUE BONDS
NOTICE OF POTENTIAL RECAPTURE

This Notice can be delivered up to 90 days after Loan closing – but if feasible deliver at Loan closing to avoid need for post-closing delivery of Notice.

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 five 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; 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 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.

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:

- (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 3 above),
- (ii) The holding period percentage, as listed in paragraph 5, and
- (iii) 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:

- (i) *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.

- (ii) 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 loan.

- (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 loan in full during the five-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 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 attached table. The entries in the first row are the highest qualifying incomes that, as of the date of the mortgage loan closing, would have as of the table 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 Administrator in order to complete Column 2.

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

Borrower Signature

Borrower 2 Signature

Borrower Name

Borrower 2 Name

Date:

Date:

TABLE – NON-TARGETED AREAS

<u>Date that you Sell Your Single Family Residence</u>	<u>Holding Period Percentage</u>	<u>Adjusted Qualifying Income Number of Family Members Living in Your Single Family Residence at the Time of Sale</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%	\$91,140	\$104,811
On or after the second anniversary of closing, but before the third anniversary of closing	60%	\$95,697	\$110,052
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	\$100,482	\$115,554
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	\$105,506	\$121,332
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	\$110,781	\$127,398
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	\$116,320	\$133,768
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	\$122,136	\$140,457
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	\$128,243	\$147,480

Note: Closing means the closing date for your loan.

TABLE – TARGETED AREAS

<u>Date that you Sell Your Single Family Residence</u>	<u>Holding Period Percentage</u>	<u>Adjusted Qualifying Income Number of Family Members Living in Your Single Family Residence at the Time of Sale</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%	\$109,368	\$127,596
On or after the second anniversary of closing, but before the third anniversary of closing	60%	\$114,836	\$133,976
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	\$120,578	\$140,675
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	\$126,607	\$147,708
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	\$132,937	\$155,094
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	\$139,584	\$162,848
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	\$146,564	\$170,991
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	\$153,892	\$179,540

Note: Closing means the closing date for your loan.

2024 Income Limits from Official Statement

	Non-Targ (2 or Less)	Non-Targ (3 or More)	Targeted (2 or Less)	Targeted (3 or More)
Jefferson Parish	86,800.00	99,820.00	104,160.00	121,520.00

Jefferson Parish Non-Targeted		
20%	86,800	99,820
40%	91,140	104,811
60%	95,697	110,052
80%	100,482	115,554
100%	105,506	121,332
80%	110,781	127,398
60%	116,320	133,768
40%	120,136	140,457
20%	128,243	147,480

Jefferson Parish Targeted		
20%	104,160	121,520
40%	109,368	127,596
60%	114,836	133,976
80%	120,578	140,675
100%	126,607	147,708
80%	132,937	155,094
60%	139,584	162,848
40%	146,564	170,991
20%	153,892	179,540