

percentage figure should be rounded to the nearest percentage point (round up if the result is .5 of a percent or more).

Your "Modified Adjusted Gross Income" is the adjusted gross income shown on your federal income tax return for the year in which you sell or transfer the Residence, plus any interest received or accrued which is excluded from gross income you received during that year, minus the amount of your gain (generally, the sale price minus your adjusted tax basis from the Residence included in gross income on your federal income tax return for that year.

"Adjusted Qualifying Income" means the maximum income for the year the home is purchased and adjusted annually by a 5% increase each year until the year the home is sold. In order to determine the "Adjusted Qualifying Income" you must know three things: 1) The MCC Income limits for the year your home was purchased; 2) Your household size the year your home was sold; and 3) Whether or not your home is in a Qualifying Census Tract (which would allow your income to be higher than general income limit). You should consult a tax advisor to assist you in making these calculations.

Step 3 - Final Calculation of Limitation Based on Gain from Sale

To make a final determination of your Recapture Amount, you will compare the figure you obtained in Step 2 with an amount equal to fifty percent (50%) of the gain (if any) you realized when you sold or transferred the Residence. The Recapture Amount will be the LESSER of those two figures.

Other Factors Affecting the Recapture Amount

All references in this document to the "sale" or "transfer" of the Residence include any change in your interest in the Residence, whether by sale, exchange or some other disposition. If the disposition is not from a sale, exchange or involuntary conversion (such as the receipt of an insurance payment as a result of destruction of the Residence), the Internal Revenue Service will assume that you sold the Residence at its fair market value at the time of disposition.

If one or more persons besides you are also liable on the Mortgage Loan, each person's Recapture Amount will be determined separately in accordance with their interest in the Residence.

No Recapture Amount Due

If a fire, storm or other casualty destroys the Residence complete or partially, resulting in a compulsory or involuntary disposition of the Residence, you will not have to pay the Recapture Amount if you purchase another principal residence on the same site. Such a purchase must be made within two years of the end of the taxable year during which you received insurance compensation or other amounts as a result of the destruction.

You will not pay a Recapture Amount if, as a result of divorce, you transfer the Residence to a spouse or a former spouse. In that event, the Internal Revenue Service will treat your spouse or former spouse as if he or she had been the owner of the Residence from your Closing Date.

No Recapture Amount will be due with respect to the Residence if the Residence is transferred as a result of your death. This Recapture Notice is provided by the Agency pursuant to Section 143 (m) (7) of the Code. By signing in the space(s) provided below, you acknowledge that you have received and have read this Recapture Notice.

ACKNOWLEDGE:

Mortgagor

Date

Mortgagor

Date

PLEASE USE BLUE INK FOR SIGNATURE