

**PENNSYLVANIA HOUSING FINANCE AGENCY
MORTGAGOR'S AFFIDAVIT OF ELIGIBILITY AND ACKNOWLEDGMENT OF PROGRAM
REQUIREMENTS FOR KEYSTONE HOME LOAN, HOMESTEAD AND
MORTGAGE CREDIT CERTIFICATE PROGRAMS**

To be completed and signed by the Applicant(s) at application and reaffirmed at closing (or conversion in the case of C/P loans). The Seller's Affidavit is to be completed and signed by the seller(s) at or before closing.

INSTRUCTIONS

The Pennsylvania Housing Finance Agency ("PHFA" or the "Agency") uses the funds from tax exempt bonds to finance Mortgage Loans or issue mortgage credit certificates ("MCCs"). This affidavit is intended to satisfy the requirements of the Federal Mortgage Subsidy Bond Tax Act of 1980, Section 25 of the Internal Revenue Code of 1986, as amended and Section 143 of the Internal Revenue Code of 1986, as amended, and/or regulations promulgated pursuant thereto by the U.S. Department of the Treasury. Please read this form carefully to be sure the information is correct and complete before signing. All questions must be answered and all blanks completed. Some parts of this form may not be applicable to your loan. If this is the case, write "N/A" on the appropriate line. Completion of your loan application and this document does not entitle nor ensure that you will be granted a mortgage loan or MCC.

I/We [print name(s)]: _____ do hereby attest that I/we and the property being purchased meet the following program requirements:

RESIDENCE/PROPERTY REQUIREMENTS

- The residence located at _____ is a single family residence located in Pennsylvania and I/we will occupy the residence as a principal residence (not as a second or vacation home) within 60 days of the loan closing or the MCC being issued (the "Residence"). I/we will notify PHFA if the Residence ceases to be my/our principal Residence.
- Except for half of a duplex, rental of any portion of the property is not allowed as long as the mortgage loan or MCC is outstanding and no more than 15% of the total area of the home can be used in a trade or business.
- All of the land upon which the Residence is located is reasonably necessary to maintain the basic livability of the home and will not provide, other than incidentally, a source of income. I/we have no intention of subdividing such land or otherwise selling it apart from the home. The lot size does not exceed four (4) acres unless the septic and/or zoning considerations require additional acreage. Maximum lot size will not exceed ten (10) acres.
- Current federal tax law may require a payment to the federal government of a "recapture tax" due upon the sale, transfer or other disposition of your home. For additional information, refer to PHFA Form 4, the Recapture Tax Notice. You may also consult your tax advisor or local IRS office for further information. **PHFA agrees to reimburse you if you ever have to pay a recapture tax in connection with the sale of your home.**

FIRST-TIME HOMEBUYER REQUIREMENT *(This section does not apply if you are a qualified veteran or are purchasing a home in a Targeted Area.)*

I/we nor anyone who intends to occupy the Residence within 12 months from closing has had an ownership interest in any principal residence during the three years immediately prior to the closing of the mortgage loan or issuance of the MCC for which application has been made (or, if applying under the HOMEstead Program, any residence other than a property owned in connection with a business that is the primary source of income). **Note:** An "ownership interest" means all forms of ownership including a joint tenancy, a tenancy in common, a tenancy by the entirety, a community property interest, the interest of a tenant-shareholder in a cooperative, a life estate, or a purchase contract in excess of 2 years duration during which time you have the right to possession of the property although legal title to the property is not to be transferred until sometime later. A "present ownership interest" does not include a lease (with or without a purchase option), a purchase contract without the right to possession or of less

than 2 years duration, a remainder interest, an ownership interest in a manufactured home that is not permanently fixed to real property, or an ownership interest in a home that is not a principal residence (e.g. a vacation home, time share or rental property).

INCOME LIMIT

The gross annual household income from all sources of all persons over age 18 (except for dependent full-time undergraduate students) intending or expected to reside in the home within 12 months from closing is

\$ _____.

Do any adult household members receive child support? Yes No

If yes, it must be included in the annual income figure listed above, along with all other sources of income including those listed in the paragraph below.

The gross annual household income listed above may not exceed the income limit established by the federal government for the county in which the Residence is located, under the applicable PHFA home loan program. **ALL SOURCES OF INCOME MUST BE DISCLOSED, INCLUDING ANY KNOWN INCREASES IN INCOME TO OCCUR WITHIN THE NEXT YEAR. THIS INCLUDES, BUT IS NOT LIMITED TO: GROSS BASE PAY, OVERTIME, PART-TIME INCOME, BONUSES, DIVIDENDS, DISABILITY INCOME, INTEREST, PENSION, NET RENTAL INCOME, ALIMONY, CHILD SUPPORT, PUBLIC ASSISTANCE, SELF-EMPLOYMENT INCOME, SOCIAL SECURITY, UNEMPLOYMENT COMPENSATION, TRUST INCOME, WORKERS' COMPENSATION, ETC. DO NOT SIMPLY LIST THE PREVIOUS CALENDAR YEAR INCOME.**

I/we certify that the number of persons including children expected to live in my/our household during the next 12 months is _____.

If the above number includes an unborn child, attach a copy of the "Certification of Pregnancy" Addendum to this Affidavit, completed and signed by a physician. (An unborn child may not be used to increase the applicable income limit under the HOMEstead Program.)

List the name(s) of other adult household members included in this total who are not listed on the mortgage application (include separate page if necessary):

_____, _____, _____

The Lender will make final income calculations based upon the receipt of income verifications. The applicant is required to disclose any changes to the income after application at or prior to closing. **If your total annual gross income is above the applicable income limit either at the time of loan application, lender verification, or loan closing, you will not be eligible for a mortgage loan under this program.**

PURCHASE PRICE LIMIT

The Total Acquisition Cost may not exceed the PHFA's Maximum Purchase Price limit under the applicable home loan program for the county in which the home being purchased is located. The Total Acquisition Cost includes the amount paid, in cash or in kind, by the Applicant or any other person to or for the benefit of the Seller or Borrower (or a related party) for the land and Residence (excluding any personal property which is not a fixture), as well as the additional cost for fixtures. If the residence is incomplete or unfinished or is to be rehabilitated, include the additional costs of completing or rehabilitating the residence not to be paid to the Seller. If the residence is purchased subject to a ground rent, then include the capitalized value of the ground rent. The cost of land owned by Borrower less than two years prior to commencement of construction of the residence thereon must also be included. Use the purchase price of said land. However, if the transaction is not arm's length (e.g. father to son or employer to employee), the appraised value, NOT the purchase price, of the Residence is used to determine Maximum Purchase Price eligibility and the appraised value cannot exceed the Maximum Purchase Price limit.

The sales price and the total acquisition cost need not be the same amount. The acquisition cost of a residence does not include (1) usual and reasonable settlement and financing costs or (2) the value of services performed by the Borrower or members of his family (which include the Borrower’s parents, brothers and sisters (whether by whole or half blood), spouse, ancestors and lineal descendants) in completing or rehabilitating the residence (i.e. "sweat equity"). Settlement and financing costs that exceed the usual and reasonable costs which otherwise would be paid must be included in the acquisition cost. The acquisition cost does not include the cost of land owned by the Borrower for two years or more prior to the date on which construction of the residence begins. PHFA has information available concerning what constitutes a fixture or personal property under state law. The acquisition cost of the land and residence to be acquired by the Buyer from the Seller is computed as follows:

- a) Amount paid, in cash or in kind, by the Applicant or any other person to or for the benefit of the Seller (or a related party) for the land and Residence (excluding any personal property which is not a fixture)..... \$ _____
- b) Amount paid for fixtures (if not included in (a) above)..... \$ _____
- c) Amount paid, in cash or in kind, by the Applicant or any other person to or for the benefit of the Applicant to the seller..... \$ _____
- d) If the Residence is purchased subject to a ground rent, the capitalized value of the ground rent (annual ground rent divided by 5%)..... \$ _____
- e) Cost of land owned by Buyer less than 2 years prior to commencement of construction of Residence thereon..... \$ _____
- f) If the Residence is incomplete, the estimated cost of completing it..... \$ _____
- g) TOTAL ACQUISITION COST..... \$ _____

NEW MORTGAGE REQUIREMENT

I/we certify that no part of the proceeds of the Mortgage Loan will be used directly or indirectly to repay an existing loan made in connection with the Residence, except construction loans, bridge loans or similar temporary initial financing having a term of 24 months or less.

PARTICULAR LENDER, INTEREST PAID, AND PROHIBITED MORTGAGES (MCCs Only)

I/we were not required to seek financing for the purchase of the Residence through a particular lender.

I/we certify that a related person does not have, and is not expected to have, an interest as a creditor in the certified indebtedness as listed on the MCC.

I/we certify that no portion of the loan obtained in connection with the MCC is funded through the proceeds of a qualified mortgage bond or a qualified veterans' mortgage bond.

BORROWER’S AUTHORIZATION

I/we hereby authorize PHFA and its agents or designees to verify past and present employment, earning records, bank accounts, stock holdings, and any other asset balances that are needed to process the mortgage loan application. I/we also authorize the obtaining of consumer credit reports and the verification of other credit information, including past and present mortgage and landlord references, and further grant permission to PHFA and its agents or designees to verify the statements made herein.

CERTIFICATION/VERIFICATION

I/we understand and acknowledge that this affidavit is being made under penalties of perjury and that if I/we have made any fraudulent statements, misstatements due to negligence or material misstatements in the representations contained in any part of this document, or failed to state any of the information requested, the following may occur:

1. I/we could be imprisoned for up to 30 years pursuant to Section 1014 of Title 18 of the United States Code.
2. The Office of the Attorney General of the Commonwealth may be contacted for investigation regarding perjury, misrepresentation and false swearing.
3. The outstanding principal balance of the loan, if financed by mortgage revenue bonds, will be immediately due and payable together with accrued interest and foreclosure costs, legal fees and applicable expenses. All application fees and other costs and/or charges paid in connection with the application will be nonrefundable.
4. If applicable, PHFA will revoke the MCC.
5. If applicable, I/we will be subject to a \$10,000 penalty under section 6709 of the Internal Revenue Code in addition to the other monetary penalties permissible under Section 6709(a) of the Internal Revenue Code.
6. I/we may be subject to criminal penalties.

Signature of Borrower

Date

Signature of Co-Borrower

Date

LENDER CERTIFICATION

I have explained the contents of this Affidavit to the person(s) whose name(s) appear above, and I have no reason to believe that said person(s) made any misstatements or omissions in the warranties and representations required to be made herein.

Signature of Representative

Date

Printed Name of Lender/Broker Representative

Name of Originating Lender/Broker Company

**PENNSYLVANIA HOUSING FINANCE AGENCY
MORTGAGOR'S REAFFIRMATION AT LOAN CLOSING**

If any information of representations contained in the Mortgagor's Affidavit have changed since the affidavit was completed, the information must be corrected or a new affidavit must be completed as of the date of closing (or conversion if a C/P loan).

BORROWER NAME(S): _____

ADDRESS OF HOME
BEING PURCHASED: _____

ORIGINATING LENDER: _____

I/we as Purchasers of the Residence indicated herein have reviewed all of the information, representations and warranties contained in the original Affidavit of Eligibility and Acknowledgement of Program Requirements and I/we do hereby reaffirm all information, representations and warranties made therein. I/we understand and acknowledge that this affidavit is being made under penalties of perjury and that if I/we have made any fraudulent statements or material misstatements in the representations contained in any part of this document, or failed to state any of the information requested, the following may occur:

1. I/we could be imprisoned for up to 30 years pursuant to Section 1014 of Title 18 of the United States Code.
2. The Office of the Attorney General of the Commonwealth may be contacted for investigation regarding perjury, misrepresentation and false swearing.
3. The outstanding principal balance of the loan, if financed by mortgage revenue bonds, will be immediately due and payable together with accrued interest and foreclosure costs, legal fees and applicable expenses. All application fees and other costs and/or charges paid in connection with the application will be nonrefundable.
4. If applicable, PHFA will revoke the MCC.
5. If applicable, I/we will be subject to a \$10,000 penalty under section 6709 of the Internal Revenue Code in addition to the other monetary penalties permissible under Section 6709(a) of the Internal Revenue Code.
6. I/we may be subject to criminal penalties.

Signature of Borrower

Date

Signature of Co-Borrower

Date

Commonwealth of Pennsylvania
County of _____

This record was acknowledged before me on _____, 20____, by _____, who represents he/she executed the record for the purposes stated in the record.

Signature of Notarial Officer

ADDENDA TO PHFA MORTGAGOR'S AFFIDAVIT

(Complete applicable section(s) at time of application.)

ADDENDUM A: FHA "NOTICE TO BUYERS"

(To be used in connection with all FHA-Insured Loans)

Dear Homebuyer:

Your home purchase is being financed with a mortgage made available with the assistance of the Pennsylvania Housing Finance Agency ("PHFA"). This mortgage is made at an interest rate below what is usually being charged. Because of this, your mortgage provides that you cannot sell your home to a person ineligible for assistance from PHFA, unless you pay your loan in full. If you sell your home to a party who intends to assume your mortgage and that party is ineligible for a PHFA mortgage, PHFA may demand immediate full repayment of the loan. This could result in foreclosure of your mortgage and repossession of the property. In addition, if you rent the property or committed fraud or intentionally misrepresented yourself when you applied for the loan, the lender or PHFA may foreclose your mortgage and repossess the property. If the lender or PHFA takes your home through a foreclosure of the mortgage, because of these reasons, HUD will not be able to help you.

If the money received from the foreclosure sale is not enough to pay the remaining amount of money you owe on the loan, PHFA may obtain a deficiency judgment against you (a court ruling that you must pay whatever money is still owed on the loan after the foreclosure sale). Such judgment will be taken over by HUD if PHFA files an insurance claim against HUD because of the foreclosure. HUD may then bring an action against you to collect the judgment.

I/we hereby acknowledge and understand the above restrictions as they pertain to the HUD/FHA-insured loan I/we are applying for and I/we consent to the existence of the due on sale clause.

Signature of Borrower and Date

Signature of Co-Borrower and Date

ADDENDUM B: VA NOTICE

(To be used in connection with all VA-Guaranteed Loans)

Dear Veteran:

Your home purchase is being financed with the assistance of the Pennsylvania Housing Finance Agency ("PHFA"). This mortgage is made at an interest rate below what is usually being charged. If you sell, lease or transfer the property without paying off the PHFA mortgage and without the prior written consent of PHFA to a party ineligible for PHFA's assistance, PHFA may invalidate any such actions and demand immediate and full repayment of the loan. This could result in foreclosure or repossession of the property. If such foreclosure takes place, the VA will not be able to help you. In addition, the VA may have to pay a claim to PHFA for any loss incurred on your loan. You may then be obligated to the VA for any claim paid to PHFA by the VA.

BY: _____
Signature of Officer of Originating Lender/Broker and Date

Name of Originating Lender/Broker

I hereby acknowledge and understand the above restrictions as they pertain to my VA-Guaranteed Mortgage Loan and consent to the existence of the due-on-sale clause. This addendum is a part of the Mortgagor's Affidavit of Eligibility.

BY: _____
Signature of Veteran Borrower and Date

Signature of Co-Borrower and Date

ADDENDUM C: CERTIFICATION OF PREGNANCY

(To be completed and executed by the pregnant borrower’s physician when the birth of a child will change the household size which will result in an increase in the applicable Income Limit)

I _____, do hereby certify that I am a physician and have
(Physician)
tested/examined _____, and have determined that she is pregnant. It is estimated
(Name)
that the child will be born on _____.
(Date)

I certify that the above information is true and correct.

Date Signature of Physician Field of Medicine

ADDENDUM D: FIRST TIME HOMEBUYER EXCEPTION FOR VETERANS

(To be signed by veterans applying for a Keystone Home Loan or Mortgage Credit Certificate who are not first-time home buyers and not purchasing a home in a Target area.)

I understand that my home purchase is being financed with a mortgage made available by the assistance of the Pennsylvania Housing Finance Agency ("PHFA") using the proceeds from Qualified Mortgage Revenue Bonds.

OR

I understand that I am being issued a Mortgage Credit Certificate by PHFA

I affirm that I qualify for an exemption from the first-time homebuyer requirement because I am a qualified veteran.

By signing below, I certify that:

- I am a veteran, within the meaning of 38 U.S.C. Section 101, who served in active duty of the United States Armed Forces or Reserves and who was discharged or released under conditions other than dishonorable. A copy of my/our discharge papers have been provided as verification.
- I have not previously obtained a mortgage or MCC through the Pennsylvania Housing Finance Agency.

Signature of Veteran Date

6/2018

PHFA Form 4

NOTICE TO MORTGAGOR OF POTENTIAL RECAPTURE TAX UPON SALE OF HOME*

A. INTRODUCTION: As a recipient of a Mortgage Credit Certificate OR a mortgage loan from the proceeds of a tax-exempt bond, you may be subject to a recapture tax if you sell your home during the next nine years. The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain and if your income increases more than 5% per year. 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.

B. MAXIMUM RECAPTURE TAX & CALCULATION OF TAX DUE, if any:

NO RECAPTURE TAX DUE: In the following situations, no recapture tax is due and you do not need to do the calculations listed below:

- 1. You sell your home more than nine years after settlement.
2. Your home is disposed of as a result of your death.
3. You transfer your home either to your spouse or to your former spouse in connection with a divorce and you have no gain or loss included in your income under section 1041 of the Internal Revenue Code, or
4. You dispose of your home at a loss.

MAXIMUM RECAPTURE TAX: The maximum recapture tax that you may have to pay is \$_____. 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.

The ACTUAL RECAPTURE TAX, if any, can 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 below:

- 1. If home is sold before the 1st anniversary of closing, or on or after the 8th anniversary but before the 9th, your recapture amount will be 1.25% of your original principal mortgage amount.
2. If home is sold on or after 1st anniversary of closing but before the 2nd, or on or after the 7th anniversary but before the 8th, your recapture amount will be 2.5% of your original principal mortgage amount.
3. If home is sold on or after 2nd anniversary of closing but before the 3rd, or on or after the 6th anniversary but before the 7th, your recapture amount will be 3.75% of your original principal mortgage amount.
4. If home is sold on or after 3rd anniversary of closing but before the 4th, or on or after the 5th anniversary but before the 6th, your recapture amount will be 5% of your original principal mortgage amount.
5. If home is sold on or after 4th anniversary of closing but before the 5th your recapture amount will be 6.25% of your original principal mortgage amount. This is the maximum recapture amount.

C. INCOME CALCULATION. You can calculate the income as follows: SUBTRACT the applicable ADJUSTED QUALIFYING INCOME in the taxable year in which you sell your home, as listed on Page 2 of this form, 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.

Your adjusted qualifying income can be obtained from Page 2 of this form. Start by finding the area and county in which your PHFA-financed property is located. If the area is not specified, you would use the income figure from "All Other Counties". You would then choose the family size at the time of sale, whether it be 1 to 2 members or 3 or more. Once you have the correct row selected for the income, you would choose the correct column by selecting the year in which you are selling your home. Use this figure for you ADJUSTED QUALIFYING INCOME.

NOTE: If your income calculation above is zero or less, you owe no recapture tax. If it is \$5000 or more, you will owe 100% of the recapture amount. If it is greater than zero but less than \$5,000, it must be divided by \$5000. 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%.

D. 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 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. See section 143(m) of the Internal Revenue Code generally.

* NOTICE - RECAPTURE TAX REIMBURSEMENT: If you ever have to pay a recapture tax in connection with the sale of this home, PHFA agrees to reimburse you, as long as you applied for this PHFA loan or Mortgage Credit Certificate on or after January 1, 2004.

I/We have read and acknowledged receipt of pages 1 and 2 of this form.

Borrower's Signature _____ Date _____

Borrower's Signature _____ Date _____

RECAPTURE TAX INCOME LIMITS FOR 2018 (effective for reservations on or after 6/15/18)

Counties	Family Size By Members	Less Than								
		1 Year	1 To 2	2 To 3	3 To 4	4 To 5	5 To 6	6 To 7	7 To 8	8 To 9
ADAMS COUNTY	1 TO 2	74,900	78645	82577	86706	91041	95593	100373	105392	110661
	3 OR MORE	86,100	90405	94925	99672	104655	109888	115382	121151	127209
ALLENTOWN MSA (Carbon, Lehigh, Northampton)	1 TO 2	79,800	83790	87980	92378	96997	101847	106940	112287	117091
	3 OR MORE	91,700	96285	101099	106154	111462	117035	122887	129031	135483
ELK, FRANKLIN, INDIANA, LEBANON, MCKEAN, UNION, AND WARREN COUNTIES	1 TO 2	74,000	77700	81585	85664	89947	94445	99167	104125	109332
	3 OR MORE	85,100	89355	93823	98514	103440	108612	114042	119744	125731
ERIE MSA (Erie)	1 TO 2	74,000	77700	81585	85664	89947	94445	99167	104125	109332
	3 OR MORE	85,100	89355	93823	98514	103440	108612	114042	119744	125731
FAYETTE and WASHINGTON COUNTIES	1 TO 2	91,200	95760	100548	105575	110854	116397	122217	128328	134744
	3 OR MORE	106,400	111720	117306	123171	129330	135796	142586	149715	157201
HARRISBURG MSA (Cumberland, Dauphin)	1 TO 2	75,200	78960	82908	87053	91406	95976	100775	105814	111105
	3 OR MORE	86,400	90720	95256	100019	105020	110271	115784	121573	127652
LANCASTER MSA (Lancaster)	1 TO 2	74,000	77700	81585	85664	89947	94445	99167	104125	109332
	3 OR MORE	85,100	89355	93823	98514	103440	108612	114042	119744	125731
MONROE COUNTY	1 TO 2	74,100	77805	81695	85780	90069	94572	99301	104266	109479
	3 OR MORE	85,200	89460	93933	98630	103561	108739	114176	119885	125879
NEWBURGH MSA (Pike)	1 TO 2	88,300	92715	97351	102218	107329	112696	118330	124247	130459
	3 OR MORE	103,000	108150	113558	119235	125197	131457	138030	144931	152178
PERRY COUNTY	1 TO 2	90,200	94710	99446	104418	109639	115121	120877	126920	133266
	3 OR MORE	105,200	110460	115983	121782	127871	134265	140978	148027	155428
PITTSBURGH MSA (Allegheny, Beaver, Butler, Westmoreland)	1 TO 2	76,000	79800	83790	87980	92378	96997	101847	106940	112287
	3 OR MORE	87,400	91770	96359	101176	106235	111547	117124	122981	129130
PHILADELPHIA MSA (Bucks, Chester, Delaware, Montgomery)	1 TO 2	87,400	91770	96359	101176	106235	111547	117124	122981	129130
	3 OR MORE	100,500	105525	110801	116341	122158	128266	134680	141414	148484
PHILADELPHIA COUNTY	1 TO 2	104,800	110040	115542	121319	127385	133754	140442	147464	154837
	3 OR MORE	122,300	128415	134836	141578	148656	156089	163894	172088	180693
READING MSA (Berks)	1 TO 2	74,000	77700	81585	85664	89947	94445	99167	104125	109332
	3 OR MORE	85,100	89355	93823	98514	103440	108612	114042	119744	125731
STATE COLLEGE MSA (Centre)	1 TO 2	82,400	86520	90846	95388	100158	105166	110424	115945	121742
	3 OR MORE	94,700	99435	104407	109627	115108	120864	126907	133252	139915
YORK MSA (York)	1 TO 2	74,300	78015	81916	86012	90312	94828	99569	104548	109775
	3 OR MORE	85,400	89670	94154	98861	103804	108994	114444	120166	126175
ALL OTHER COUNTIES Non Target	1 TO 2	88,800	93240	97902	102797	107937	113334	119000	124951	131198
	3 OR MORE	103,600	108780	114219	119930	125926	132223	138834	145776	153064

5/2017

PHFA Form 4

NOTICE TO MORTGAGOR OF POTENTIAL RECAPTURE TAX UPON SALE OF HOME*

A. INTRODUCTION: As a recipient of a Mortgage Credit Certificate OR a mortgage loan from the proceeds of a tax-exempt bond, you may be subject to a recapture tax if you sell your home during the next nine years. The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain and if your income increases more than 5% per year. 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.

B. MAXIMUM RECAPTURE TAX & CALCULATION OF TAX DUE, if any:

NO RECAPTURE TAX DUE: In the following situations, no recapture tax is due and you do not need to do the calculations listed below:

- 1. You sell your home more than nine years after settlement.
2. Your home is disposed of as a result of your death.
3. You transfer your home either to your spouse or to your former spouse in connection with a divorce and you have no gain or loss included in your income under section 1041 of the Internal Revenue Code, or
4. You dispose of your home at a loss.

MAXIMUM RECAPTURE TAX: The maximum recapture tax that you may have to pay is \$_____. 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.

The ACTUAL RECAPTURE TAX, if any, can 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 below:

- 1. If home is sold before the 1st anniversary of closing, or on or after the 8th anniversary but before the 9th, your recapture amount will be 1.25% of your original principal mortgage amount.
2. If home is sold on or after 1st anniversary of closing but before the 2nd, or on or after the 7th anniversary but before the 8th, your recapture amount will be 2.5% of your original principal mortgage amount.
3. If home is sold on or after 2nd anniversary of closing but before the 3rd, or on or after the 6th anniversary but before the 7th, your recapture amount will be 3.75% of your original principal mortgage amount.
4. If home is sold on or after 3rd anniversary of closing but before the 4th, or on or after the 5th anniversary but before the 6th, your recapture amount will be 5% of your original principal mortgage amount.
5. If home is sold on or after 4th anniversary of closing but before the 5th your recapture amount will be 6.25% of your original principal mortgage amount. This is the maximum recapture amount.

C. INCOME CALCULATION. You can calculate the income as follows: SUBTRACT the applicable ADJUSTED QUALIFYING INCOME in the taxable year in which you sell your home, as listed on Page 2 of this form, 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.

Your adjusted qualifying income can be obtained from Page 2 of this form. Start by finding the area and county in which your PHFA-financed property is located. If the area is not specified, you would use the income figure from "All Other Counties". You would then choose the family size at the time of sale, whether it be 1 to 2 members or 3 or more. Once you have the correct row selected for the income, you would choose the correct column by selecting the year in which you are selling your home. Use this figure for you ADJUSTED QUALIFYING INCOME.

NOTE: If your income calculation above is zero or less, you owe no recapture tax. If it is \$5000 or more, you will owe 100% of the recapture amount. If it is greater than zero but less than \$5,000, it must be divided by \$5000. 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%.

D. 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 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. See section 143(m) of the Internal Revenue Code generally.

* NOTICE - RECAPTURE TAX REIMBURSEMENT: If you ever have to pay a recapture tax in connection with the sale of this home, PHFA agrees to reimburse you, as long as you applied for this PHFA loan or Mortgage Credit Certificate on or after January 1, 2004.

I/We have read and acknowledged receipt of pages 1 and 2 of this form.

Borrower's Signature _____ Date _____

Borrower's Signature _____ Date _____

RECAPTURE TAX INCOME LIMITS FOR 2017 (effective for reservations on or after 5/15/17)

Counties	Family Size By Members	Less Than								
		1 Year	1 To 2	2 To 3	3 To 4	4 To 5	5 To 6	6 To 7	7 To 8	8 To 9
ADAMS COUNTY	1 TO 2	73,900	77595	81475	85548	89826	94317	99033	103985	109184
	3 OR MORE	84,900	89145	93602	98282	103196	108356	113774	119463	125436
ALLENTOWN MSA (Carbon, Lehigh, Northampton)	1 TO 2	82,600	86730	91067	95620	100401	105421	110692	116226	122038
	3 OR MORE	95,000	99750	104738	109974	115473	121247	127309	133675	140358
ELK, FRANKLIN, INDIANA, LEBANON, MCKEAN, UNION, AND WARREN COUNTIES	1 TO 2	70,000	73500	77175	81034	85085	89340	93807	98497	103422
	3 OR MORE	80,500	84525	88751	93189	97848	102741	107878	113272	118935
ERIE MSA (Erie)	1 TO 2	70,000	73500	77175	81034	85085	89340	93807	98497	103422
	3 OR MORE	80,500	84525	88751	93189	97848	102741	107878	113272	118935
FAYETTE and WASHINGTON COUNTIES	1 TO 2	87,100	91455	96028	100829	105871	111164	116722	122558	128686
	3 OR MORE	101,600	106680	112014	117615	123495	129670	136154	142961	150109
HARRISBURG MSA (Cumberland, Dauphin)	1 TO 2	74,700	78435	82357	86475	90798	95338	100105	105110	110366
	3 OR MORE	85,900	90195	94705	99440	104412	109633	115114	120870	126913
LANCASTER MSA (Lancaster)	1 TO 2	71,100	74655	78388	82307	86422	90744	95281	100045	105047
	3 OR MORE	81,700	85785	90074	94578	99307	104272	109486	114960	120708
MONROE COUNTY	1 TO 2	74,900	78645	82577	86706	91041	95593	100373	105392	110661
	3 OR MORE	86,100	90405	94925	99672	104655	109888	115382	121151	127209
NEWBURGH MSA (Pike)	1 TO 2	84,300	88515	92941	97588	102467	107591	112970	118619	124549
	3 OR MORE	98,400	103320	108486	113910	119606	125586	131865	138459	145382
PERRY COUNTY	1 TO 2	89,600	94080	98784	103723	108909	114355	120073	126076	132380
	3 OR MORE	104,500	109725	115211	120972	127020	133371	140040	147042	154394
PITTSBURGH MSA (Allegheny, Beaver, Butler, Westmoreland)	1 TO 2	72,600	76230	80042	84044	88246	92658	97291	102155	107263
	3 OR MORE	83,400	87570	91949	96546	101373	106442	111764	117352	123220
PHILADELPHIA MSA (Bucks, Chester, Delaware, Montgomery)	1 TO 2	83,200	87360	91728	96314	101130	106187	111496	117071	122924
	3 OR MORE	95,600	100380	105399	110669	116202	122013	128113	134519	141245
PHILADELPHIA COUNTY	1 TO 2	99,800	104790	110030	115531	121308	127373	133742	140429	147450
	3 OR MORE	116,400	122220	128331	134748	141485	148559	155987	163786	171976
READING MSA (Berks)	1 TO 2	70,000	73500	77175	81034	85085	89340	93807	98497	103422
	3 OR MORE	80,500	84525	88751	93189	97848	102741	107878	113272	118935
STATE COLLEGE MSA (Centre)	1 TO 2	75,000	78750	82688	86822	91163	95721	100507	105533	110809
	3 OR MORE	86,200	90510	95036	99787	104777	110015	115516	121292	127357
YORK MSA (York)	1 TO 2	70,800	74340	78057	81960	86058	90361	94879	99623	104604
	3 OR MORE	81,400	85470	89744	94231	98942	103889	109084	114538	120265
ALL OTHER COUNTIES Non Target	1 TO 2	84,000	88200	92610	97241	102103	107208	112568	118196	124106
	3 OR MORE	98,000	102900	108045	113447	119120	125076	131329	137896	144791