

Mortgage Credit Certificate Program

Missouri Housing Development Commission

Targeted Properties

Notice to Mortgagor of Information Regarding Potential Recapture Tax

Because you are receiving a Mortgage Credit Certificate with your mortgage loan, you are receiving the benefit of a credit against your federal income taxes. If you sell or otherwise dispose of your home during the next nine years, this benefit may be recaptured.

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 above specified levels.**

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax. Along with this notice, you are being given additional information that will be needed to calculate the recapture tax.

Notice to Mortgagor of Maximum Recapture Tax and of Method to Compute Recapture Tax on Sale of Home

A. Introduction

1. **General.** When you sell your home 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 includes 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 nine 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.

B. Maximum Recapture Tax. The Maximum Recapture Tax that you may be required to pay as an addition to your federal income tax 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.

C. 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) \$_____ (the Maximum Recapture Tax, as described in paragraph B above),
- (ii) The Holding Period Percentage, as listed in Column 1 in the Table below, and
- (iii) The Income Percentage, as described in paragraph D below.

D. 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 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%.

E. 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 the 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.

F. Mortgagor and Residence Information.

<p>Mortgagors Name: _____</p> <p>SS#: _____</p> <p>Co Mortgagors Name: _____</p> <p>SS#: _____</p> <p>2. Date of Closing of Mortgage Loan: _____</p> <p>3. Address of residence: _____</p> <p>4. Principal amount of Mortgage Loan on date of closing: \$ _____</p>
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See the following table for your county's (_____) Adjusted Qualifying Income Limits:

**** Retain a copy of this notice with your loan closing documentation.**

For Targeted Properties For the property located at: County of:		Columbia MSA <i>Counties:</i> Boone		Jefferson City MSA <i>Counties:</i> Cole Osage		Kansas City MSA <i>Counties:</i> Caldwell Cass Clay Clinton Jackson Lafayette Platte Ray		St. Louis MSA <i>Counties:</i> Franklin Jefferson Lincoln St. Charles St. Louis City St. Louis County Warren		Missouri, all other areas <i>Counties not located within the Columbia, Jefferson City, Kansas City or St. Louis MSA as noted to the left.</i>	
		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale	
Date That You Sell Your Home <i>(Closing being the date of your loan)</i>	Holding Period %	2 or Less	3 or more	2 or Less	3 or more	2 or Less	3 or more	2 or Less	3 or more	2 or Less	3 or more
		Before the first anniversary of closing (See note below)	20%	123,000	143,500	115,440	134,680	123,720	144,340	123,840	144,480
On or after the first anniversary of closing, but before the second anniversary of closing	40%	129,150	150,675	121,212	141,414	129,906	151,557	130,032	151,704	111,636	130,242
On or after the second anniversary of closing, but before the third anniversary of closing	60%	135,607	158,208	127,272	148,484	136,401	159,134	136,533	159,289	117,217	136,754
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	142,387	166,118	133,635	155,908	143,221	167,090	143,359	167,253	123,077	143,591
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	149,506	174,423	140,316	163,703	150,382	175,444	150,526	175,615	129,230	150,770
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	156,981	183,144	147,331	171,888	157,901	184,216	158,052	184,395	135,691	158,308
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	164,830	192,301	154,697	180,482	165,796	193,426	165,954	193,614	142,475	166,223
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	173,071	201,916	162,431	189,506	174,085	203,097	174,251	203,294	149,598	174,534
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	181,724	212,011	170,552	198,981	182,789	213,251	182,963	213,458	157,077	183,260

The undersigned Mortgagor(s) hereby acknowledge receipt of this Notice:

Borrower: _____
Date

Co-Borrower: _____
Date

Mortgage Credit Certificate Program
Missouri Housing Development Commission
Non-Targeted Properties

Notice to Mortgagor of Information Regarding Potential Recapture Tax

Because you are receiving a Mortgage Credit Certificate with your mortgage loan, you are receiving the benefit of a credit against your federal income taxes. If you sell or otherwise dispose of your home during the next nine years, this benefit may be recaptured.

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 above specified levels.**

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax. Along with this notice, you are being given additional information that will be needed to calculate the recapture tax.

**Notice to Mortgagor of Maximum Recapture Tax and of Method to
Compute Recapture Tax on Sale of Home**

A. Introduction

1. **General.** When you sell your home 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 includes 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 nine 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.

B. Maximum Recapture Tax. The Maximum Recapture Tax that you may be required to pay as an addition to your federal income tax 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.

C. 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) \$_____ (the Maximum Recapture Tax, as described in paragraph B above),
- (ii) The Holding Period Percentage, as listed in Column 1 in the Table below, and
- (iii) The Income Percentage, as described in paragraph D below.

D. 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 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%.

E. 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 the 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.

F. Mortgagor and Residence Information.

1. Mortgagors Name: _____ SS#: _____ Co Mortgagors Name: _____ SS#: _____
2. Date of Closing of Mortgage Loan: _____
3. Address of residence: _____ _____
4. Principal amount of Mortgage Loan on date of closing: \$ _____

See the following table for your county's ()
Adjusted Qualifying Income Limits:

Retain a copy of this notice with your loan closing documentation.

<h2 style="text-align: center;">For Non-Targeted Properties</h2> <p>For the property located at:</p> <p>County of:</p> <th colspan="2">Columbia MSA</th> <th colspan="2">Jefferson City MSA</th> <th colspan="2">Kansas City MSA</th> <th colspan="2">St. Louis MSA</th> <th colspan="2">Missouri, all other areas</th>		Columbia MSA		Jefferson City MSA		Kansas City MSA		St. Louis MSA		Missouri, all other areas	
		<i>Counties: Boone</i>		<i>Counties: Cole Osage</i>		<i>Counties: Caldwell Cass Clay Clinton Jackson Lafayette Platte Ray</i>		<i>Counties: Franklin Jefferson Lincoln St. Charles St. Louis City St. Louis County Warren</i>		<i>Counties <u>not</u> located within the Columbia, Jefferson City, Kansas City or St. Louis MSA as noted to the left.</i>	
		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale	
Date That You Sell Your Home (Closing being the date of your loan)	Holding Period %	2 or Less	3 or more	2 or Less	3 or more	2 or Less	3 or more	2 or Less	3 or more	2 or Less	3 or more
Before the first anniversary of closing (See note below)	20%	102,500	117,875	96,200	110,630	103,100	118,565	103,200	118,680	88,600	101,890
On or after the first anniversary of closing, but before the second anniversary of closing	40%	107,625	123,768	101,010	116,161	108,255	124,493	108,360	124,614	93,030	106,984
On or after the second anniversary of closing, but before the third anniversary of closing	60%	113,006	129,956	106,060	121,969	113,667	130,717	113,778	130,844	97,681	112,333
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	118,656	136,453	111,363	128,067	119,350	137,252	119,466	137,386	102,565	117,949
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	124,588	143,275	116,931	134,470	125,317	144,114	125,439	144,255	107,693	123,846
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	130,817	150,438	122,777	141,193	131,582	151,319	131,710	151,467	113,077	130,038
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	137,357	157,959	128,915	148,252	138,161	158,884	138,295	159,040	118,730	136,539
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	144,224	165,856	135,360	155,664	145,069	166,828	145,209	166,992	124,666	143,365
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	151,435	174,148	142,128	163,447	152,322	175,169	152,469	175,341	130,899	150,533

The undersigned Mortgagor(s) hereby acknowledge receipt of this Notice:

Borrower: _____
Date

Co-Borrower: _____
Date

Potential Borrower's Application Affidavit
And
Notice of Tax Consequences of 4% Cash Assistance Loan (CAL)

Name of Borrower(s): _____

Property Street Address: _____

City: _____ County: _____, Missouri

Targeted / Non-Targeted Existing / New Construction

Total Real Estate Sales Contract Price: \$ _____

Part I - Acknowledgment of Availability of CAL & Non-CAL Funds

1. I/We hereby state that I/we are proceeding with this application at my/our own risk and there are no guarantees of an approved reservation of funds for the CAL or Non-CAL program.
2. I/We further understand that the **interest rate on my/our first mortgage loan is not guaranteed** until the reservation is received.
3. I/We further understand that should funds become available under this program for my/our application, I/we must comply with all MHDC requirements, as well as any FHA, VA, RD or Fannie Mae/Freddie Mac conventional loan requirements.
4. I/We further understand that this is **NOT** a loan commitment. Reservations will be issued on a first-come, first-served basis.

Part II - MHDC Requirements

Below market interest rate loans with or without cash assistance loan payments are made available to qualified first time home buyers through the sale of tax-exempt mortgage bonds issued by the Missouri Housing Development Commission. All qualified borrowers must be able to certify that the following statements are or will be true.

1. The borrower(s) will occupy the home as a principal residence within 60 days after closing.
2. The residence is a single family (one unit) residence, or a single family, two-unit residence, in which case I certify that I intend to occupy one unit as my principal residence.
3. The residence will not be rented, used as an investment property or used as a recreation or "second" home, as long as the mortgage revenue bond loan exists, except in the case of a two-unit property.
4. The residence will not be used primarily in a trade or business and no more than 15% of the total area will be used in a trade or business. The borrower(s) will not deduct any portion of the cost of the residence as a home business expense on state or federal income tax returns.
5. I/We understand the Maximum Purchase Price limit is \$ _____ and that neither the total cost to acquire the residence nor the original mortgage loan amount may exceed this amount.
6. I/We understand that the Maximum Income limit is \$ _____ and that my/our total household income may not exceed this amount at any time prior to closing. The total number of persons related to the borrower that will be living in this home equals _____.
7. The borrower(s) will continue to occupy the home as a principal residence as long as the mortgage revenue bond loan exists, unless;
 - a. you have an FHA, VA or Rural Development loan and the loan is assumed by a qualified purchaser; and
 - b. you sell the residence at a price which is not greater than the "maximum purchase price limit" established by MHDC at the time of resale for an "existing residence" and the buyer of your home documents their total household income is not greater than the "maximum income" established by MHDC at the time of the resale; and
 - c. the qualified purchaser meets required credit qualifications.

If you have applied for a Conventional loan, your loan is not assumable under any circumstances and the loan must be repaid in full upon the sale of the property.

8. None of the borrowers or any other related persons intending to occupy the property has had ownership interest in a principal residence, has taken a home mortgage interest deduction or real estate tax deduction on their federal income tax returns in the past three (3) years, unless one of the borrowers is a qualified veteran and/or the residence is located within a targeted area.

9. I certify that the following person(s) intends to occupy this property within three (3) months of loan closing:

Name of Occupant	Relationship
_____	_____
_____	_____
_____	_____

If there are children noted, are these the borrower’s biological children? Yes No

10. Total Household Income includes all income from all sources for all borrower(s) and spouse intending to occupy the residence. (Including but not limited to: gross pay, overtime, interest, dividends, alimony, child support, social security retirement, pension, welfare, etc.)

Part III (only applies to CAL loans) – Tax Consequences of 4% Second Mortgage Loan

If your loan application for a first mortgage Cash Assistance Loan is approved, the Commission will also make a second loan (“Second Mortgage Loan”) to you in an amount equal to 4% of the amount of your first mortgage Cash Assistance Loan to be applied by you to pay certain closing costs and/or your down payment.

The Second Mortgage Loan does not have to be repaid unless:

- a. Borrower(s) cease to occupy the Property described in the Second Mortgage Loan; or
- b. Borrower(s) prepay in full or refinance the first mortgage Cash Assistance Loan; or
- c. Borrower(s) sell, transfer or otherwise dispose of the Property described in the Second Mortgage Loan, including through foreclosure or transfer in lieu of foreclosure or condemnation proceeding or
- d. Borrower(s) are in violation of any terms of the first mortgage Cash Assistance Loan or the Second Mortgage Loan.

If any of the above events occur during the first 60 months following the closing of your Second Mortgage Loan, the entire original balance of the Second Mortgage Loan will become payable. If any of the above events occur during months 61-120 following the closing of your Second Mortgage Loan, the remaining balance of the Second Mortgage Loan on any date of calculation shall be equal to:

$$\frac{\text{Original Principal Amount of Second Mortgage Loan} \times \frac{120 - \text{Months Elapsed}}{60}}$$

Because beginning in month 61, a portion (1/60) of the principal of the Second Mortgage Loan is forgiven each month (and the entire principal of the Second Mortgage Loan is forgiven after 120 months or ten years), the amount forgiven during *each calendar year* is considered “income” to you under federal tax law and the Servicer will send you an IRS Form 1099. In other words, you must include an amount equal to the forgiven portion of your Second Mortgage Loan in your income and pay taxes on such amount at your applicable federal income tax rate.

The purpose of this disclosure is to describe the potential tax consequences of the Second Mortgage Loan and to urge you to contact your tax advisor if you have further questions about the tax treatment of the Second Mortgage Loan.

Borrower Acknowledgment of Understanding

I, the undersigned borrower(s) have read and understand Part I, II and III above.

Date: _____ (Applicant Signature)

Date: _____ (Applicant Signature)

**Applicants must sign prior to requesting a reservation of funds.
One copy must be given to the potential borrower(s).**

Mobile Home Certification

TO: Missouri Housing Development Commission
Attn: Homeownership Department
1201 Walnut Street Ste. 1800
Kansas City, MO 64106

RE: _____
(Borrower's Name)

We hereby certify the above referenced borrower(s) did indeed own a mobile home for the year(s) 20_____, 20_____ and 20_____.

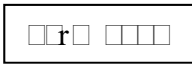
We further certify that an authorized employee of our lending institution has inspected the property site of

_____ and has found the mobile home to be indeed mobile (not located on a permanent foundation). Documentation relating to this certification is contained in our mortgage loan file.

Name of Mortgage Company

Date: _____

Authorized Signature



1201 Walnut St, Suite 1800
Kansas City, MO 64106
Phone – 816-759-6600
Fax – 816-759-6803
www.mhdc.com

DATE

LENDER:

ADDRESS:

CITY, STATE ZIP

Re: Missouri Cash Assistance Loan (CAL)

Legally Enforceable Obligation Letter
For HUD ML 2013-14 and HUD Handbook 4155.1 5.B.5. a
Gift Letter

Borrower(s):

Property Address:

City:

State: Missouri

Zip Code:

DPA Amount:

First Mortgage Loan Amount:

First Mortgage Loan #

Please be advised that Missouri Housing Development Commission (MHDC), a governmental entity as recognized by the U.S. Department of Housing and Urban Development (HUD) and the Federal Housing Administration (FHA), is providing down payment/closing cost assistance, which is to be used in conjunction with the First Mortgage Loan originated through MHDC's First Time Homebuyer Program. Additional terms of the assistance are provided below:

- No interest will be charged.
Repayment is deferred.
The MHDC's CAL is forgiven after ten years.

Borrower Signature

Date

Co-Borrower Signature

Date

Handwritten signature of Christopher Hendrickson

Christopher Hendrickson
Homeownership Manager



**FHA DPA Commitment Form
For Use only with FHA First
Mortgage Loan Commitments**

The Missouri Housing Development Commission (MHDC) hereby agrees to provide its own funds for the downpayment assistance (DPA) loan as stated below in connection with the associated first mortgage and has a legally enforceable obligation to provide those DPA funds.

Lender must print and complete this form and place it with MHDC Form 593 (MHDC Gift Letter) on the right side of the endorsement binder with Asset Verification documentation needed to close.

Commitment Date

Est Closing Date

MHDC Loan Number

Lender Name

DPA Program

DPA Loan Amount

Borrower Name

Co-Borrower Name

Property Address

City

A handwritten signature in blue ink, appearing to read 'Chris Hendrickson'.

Christopher Hendrickson
Homeownership Manager

Potential Borrower's Application Affidavit
Notice of Tax Consequences of 4% Cash Assistance Loan (CAL)

Name of Borrower(s): _____

Property Street Address: _____

City: _____ County: _____, Missouri

Existing / New Construction

Total Real Estate Sales Contract Price: \$ _____

Part I - Acknowledgment of Availability of Next Step CAL & Non-CAL Funds

1. I/We hereby state that I/we are proceeding with this application at my/our own risk and there are no guarantees of an approved reservation of funds for the Next Step-CAL or Non-CAL program.
2. I/We further understand that the **interest rate is not guaranteed** until the reservation is received. The rate may vary depending on the availability of funds.
3. I/We further understand that should funds become available under this program for my/our application, I/we must comply with all MHDC requirements, as well as any FHA, VA, RD or Fannie Mae/Freddie Mac Conventional requirements.
4. I/We further understand that this is **NOT** a loan commitment. Reservations will be issued on a first-come, first-served basis.

Part II - MHDC Requirements

Below market interest rate loans with or without cash assistance loan payments are made available to qualified home buyers through the sale of mortgage-backed securities acquired by the Missouri Housing Development Commission. All qualified borrowers must be able to certify that the following statements are or will be true.

1. The borrower(s) will occupy the home as a principal residence within 60 days after closing.
2. The residence is a single family (one unit) residence, or a single family, two unit residence, in which case I certify that I intend to occupy one unit as my principal residence.
3. The residence will not be rented, used as an investment property or used as a recreation or "second" home, as long as the mortgage loan exists, except in the case of a two-unit property.
4. The residence will not be used primarily in a trade or business and no more than 15% of the total area will be used in a trade or business. The borrower(s) will not deduct any portion of the cost of the residence as a home business expense on state or federal income tax returns.
5. I/We understand the Maximum Purchase Price limit is \$ _____ and that neither the total cost to acquire the residence nor the original mortgage loan amount may exceed this amount.
6. I/We understand that the Maximum Income limit is \$ _____ and that my/our total household income may not exceed this amount at any time prior to closing. The total number of persons related to the borrower(s) that will be living in this home equals _____.
7. The borrower(s) will continue to occupy the home as a principal residence as long as the mortgage loan exists, unless:
 - a. you have an FHA, VA or Rural Development loan and the loan is assumed by a qualified purchaser; and
 - b. you sell the residence at a price which is not greater than the "maximum purchase price limit" established by MHDC at the time of resale for an "existing residence" and the buyer of your home documents their total household income is not greater than the "maximum income" established by MHDC at the time of the resale; and
 - c. the qualified purchaser meets required credit qualifications.

If you have applied for a Conventional loan, your loan is not assumable under any circumstances and the loan must be repaid in full upon the sale of the property.

8. None of the borrowers or any other persons intending to occupy the property has had ownership interest in a principal residence, has taken a home mortgage interest deduction or real estate tax deduction on their federal income tax returns in the past three (3) years, unless one of the borrowers is a qualified veteran and/or the residence is located within a targeted area. [Applies only if MCC is issued in connection with the mortgage loan]

9. I certify that the following person(s) intends to occupy this property within three (3) months of loan closing:

Name of Occupant	Relationship
_____	_____
_____	_____
_____	_____
_____	_____

For any minors listed above, are these the borrower's biological or adopted children? Yes No

If "No", documentation regarding child support must be submitted in the loan package showing applicant(s) have physical custody of the child.

10. Total Household Income includes all income from all sources for all borrower(s) and all other persons intending to occupy the residence. (Including but not limited to: gross pay, overtime, interest, dividends, alimony, child support, social security retirement, pension, welfare, etc.)

Part III (only applies to CAL loans) – Tax Consequences of 4% Second Mortgage Loan

If your loan application for a first mortgage Cash Assistance Loan is approved, the Commission will also make a second loan ("Second Mortgage Loan") to you in an amount equal to 4% of the amount of your first mortgage Cash Assistance Loan to be applied by you to pay certain closing costs and/or your down payment.

The Second Mortgage Loan does not have to be repaid unless:

- a. Borrower(s) cease to occupy the Property described in the Second Mortgage Loan; or
- b. Borrower(s) prepay in full or refinance the first mortgage Cash Assistance Loan; or
- c. Borrower(s) sell, transfer or otherwise dispose of the Property described in the Second Mortgage Loan, including through foreclosure or transfer in lieu of foreclosure or condemnation proceeding or
- d. Borrower(s) are in violation of any terms of the first mortgage Cash Assistance Loan or the Second Mortgage Loan.

If any of the above events occur during the first 60 months following the closing of your Second Mortgage Loan, the entire original balance of the Second Mortgage Loan will become payable. If any of the above events occur during months 61-120 following the closing of your Second Mortgage Loan, the remaining balance of the Second Mortgage Loan on any date of calculation shall be equal to:

$$\frac{\text{Original Principal Amount of Second Mortgage Loan} \times \frac{120 - \text{Months Elapsed}}{60}}$$

Because beginning in month 61, a portion (1/60) of the principal of the Second Mortgage Loan is forgiven each month (and the entire principal of the Second Mortgage Loan is forgiven after 120 months or ten years), the amount forgiven during *each calendar year* is considered "income" to you under federal tax law and the Servicer will send you an IRS Form 1099. In other words, you must include an amount equal to the forgiven portion of your Second Mortgage Loan in your income and pay taxes on such amount at your applicable federal income tax rate.

The purpose of this disclosure is to describe the potential tax consequences of the Second Mortgage Loan and to urge you to contact your tax advisor if you have further questions about the tax treatment of the Second Mortgage Loan.

Borrower Acknowledgment of Understanding

I, the undersigned borrower(s) have read and understand Part I, II and III above.

Date: _____ _____ (Applicant Signature)

Date: _____ _____ (Applicant Signature)

**Applicants must sign prior to requesting a reservation of funds.
One copy must be given to the potential borrower(s).**



1201 Walnut St, Suite 1800
Kansas City, MO 64106
Phone – 816-759-6600
Fax – 816-759-6803
www.mhdc.com

DATE

LENDER: _____

ADDRESS: _____

CITY, STATE ZIP _____

Re: **Missouri Cash Assistance Loan (CAL)**

Legally Enforceable Obligation Letter
For HUD ML 2013-14 and HUD Handbook 4155.1 5.B.5. a Gift Letter

Borrower(s):
Property Address:

CAL Amount: _____

First Mortgage
Loan Amount:
First Mortgage Loan #

Please be advised that Missouri Housing Development Commission (MHDC), a governmental entity as recognized by the U.S. Department of Housing and Urban Development (HUD) and the Federal Housing Administration (FHA), is providing down payment/closing cost assistance as a forgivable second mortgage, which is to be used in conjunction with the First Mortgage Loan originated through MHDC's Next Step Program. Additional terms of the second mortgage are provided below:

- No interest will be charged.
- Repayment is deferred.
- The MHDC's CAL is forgiven after ten years.

Borrower Signature

Date

Co-Borrower Signature

Date

Christopher Hendrickson
Homeownership Manager



FHA DPA Commitment Form

For Use only with FHA First Mortgage Loan Commitments

The Missouri Housing Development Commission hereby agrees to provide its own funds for the downpayment assistance (DPA) loan as stated below in connection with the associated first mortgage and has a legally enforceable obligation to provide those DPA funds.

Lender must print and complete this form and place it with the loan file on the right side of the endorsement binder with Asset Verification documentation needed to close.

Commitment Date

Est Closing Date

MHDC Loan Number

Lender Name

DPA Program

DPA Amount

Borrower Name

Co-Borrower Name

Property Address

City

Christopher Hendrickson
Homeownership Manager