

Riverside County Economic Development Agency
Mortgage Credit Certificate Program
5555 Arlington Avenue, Riverside CA 92504
Phone: 951-343-5469
www.rivcoeda.org

INITIAL RECEIPT OF RECAPTURE NOTICE

The attached Recapture Notice provides information about a potential federal income tax liability you may incur if you purchase and later sell or transfer a residence financed by a mortgage loan with respect to which you have received a mortgage credit certificate.

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, part or all of 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.

Read the entire Recapture Notice carefully to familiarize yourself with the circumstances under which recapture liability may arise. As you do, note, among other things, that if you sell the residence more than nine years after the close of escrow, no recapture liability arises. Also, if you sell the residence during the first nine years after closing but your income does not increase more than 5% per year during that period, you will likely not incur recapture liability. Finally, in no case will recapture liability exceed 50% of your gain from the sale of the residence.

You may wish to consult a tax advisor at the time you sell your home to determine the amount, if any, of your actual recapture tax. (See Section 143(m) of the Internal Revenue Code).

Sign below to indicate that you've received a copy of the Recapture Notice.

x

Applicant Signature Date Applicant Printed Name

x

Applicant Signature Date Applicant Printed Name

x

Applicant Signature Date Applicant Printed Name

x

Applicant Signature Date Applicant Printed Name