

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
MORTGAGE PURCHASE PROGRAM**

**RECAPTURE NOTIFICATION AND MORTGAGOR'S AFFIDAVIT
(TO BE COMPLETED AND EXECUTED BY ALL BORROWERS
AT LOAN APPLICATION AND AGAIN AT CLOSING)**

Borrower(s): _____
Date of Application: _____
Address of Home Being Purchased: _____ _____
Lender: _____
Lender Loan Number: _____

PART 1 - RECAPTURE NOTIFICATION

You have applied to Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") for a loan to be financed with the proceeds of tax-exempt funds. You are hereby notified that current federal tax laws will require a payment to the federal government of any "recapture" amount upon sale, transfer, or other disposition of your home. You will be required to pay a recapture tax equal to a portion of the loan amount if you sell or otherwise transfer your home to someone else within the first 9 years of your mortgage loan. The recapture tax may not exceed, the lesser of 6.25% of the highest principal amount of your mortgage loan or, 50% of the gain realized on sale, transfer, or other disposition. You may not have to pay part or all of the recapture amount if your income at the time of sale, transfer, or other disposition, is less than a prescribed amount, or if the sale, transfer, or disposition arises as a result of your death.

There is no way to predict your exact tax liability since it is based on when you sell or transfer your home, your gain from the disposition, and income and family size at the time of disposition. Moreover, because the U.S. Congress may at any time enact legislation amending the current federal law, the requirement (if any) affecting your mortgage loan at the time of closing may be different from the described above. You will be given a final notice concerning this recapture tax either at the closing of your mortgage loan or within a short time thereafter. Consult your tax adviser or local IRS office for further information.

Attachment 1 - No Preference Affidavit

PART II - MORTGAGOR'S AFFIDAVIT

The undersigned Borrowers, as applicants for a home mortgage originated pursuant to the Homeownership Opportunity Programs of the Rhode Island and Mortgage Finance Corporation, being duly sworn, do hereby represent and warrant as follows:

1. The home to be financed with proceeds of the home mortgage is located within the State of Rhode Island at the address shown above.
2. Either:
 - (a) The home is or upon completion of construction thereof will be reasonably suitable for occupancy by not more than one family; or
 - (b) The home is designed for occupancy by two, three or four families, was first occupied as a residence more than five years before the date of execution of the mortgage and (I/We) intend to and will occupy one unit; or
 - (c) The home is a new two family home in a targeted area and (my/our) household income does not exceed applicable income limits.
3. (I/We) intend to and shall occupy the home as (my/our) principal place of residence within sixty days after the closing of the home mortgage, or, in the case of a loan made to finance the construction of a home, within sixty days after the completion of the construction, and thereafter to maintain the property as (my/our) principal residence until the home mortgage is paid and the note securing the same is discharged.
4. Except in the case of the rental of units in a two, three or four unit home, (I/We) will not use the home in a trade or business which qualifies (me/us) to deduct any portion of the cost of the home as home business expense on (my/our) Federal or State income tax return(s), and (I/We) in any event will not use more than 15% of the total area of the home primarily in a trade or business.
5. (I/We) will not use the home as investment property and will not receive any income from the home or land being purchased with the home except incidentally as follows:

6. (I/We) will not use the home as a recreational home.
7. All of the land being purchased with the home reasonably maintains the basic livability of the home, and (I/We) have no intention of subdividing such land or otherwise selling it apart from the home
8. a. (I/We), including my spouse, have not had a present ownership interest in a principal residence, *including a mobile home or factory-made housing permanently fixed to real property, at any time during the three-year period immediately prior to the closing of the home mortgage.

Following is a list of all the residences in which (I/We) have lived either separately or together during the three-year period immediately prior to the closing of the home mortgage and the names and addresses of the owners thereof:

<u>Address of Residence</u>	<u>Dates Reside There</u>	<u>Name and Address of Owner of Residence</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Following is a list of all the real property which (I/We) have owned either jointly or severally during such three-year period:

<u>Address of Property</u>	<u>Dates Owned</u>	<u>Description of Property</u>	<u>Use of Property during such 3 Year Period</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

8. b. (I/We) have provided copies of (my/our) federal income tax returns, as signed and filed, on Form 1040 for any years during such three-year period that such returns were filed with the Internal Revenue Service. If (I/We) do not have such copies of such returns as signed and filed, (I/We) have, by completing and executing the proper Request(s) for Disclosure of Tax Returns, authorized the originating lender to obtain copies of such returns from the Internal Revenue Service. If (I/We) (was/were) not required to file such returns during one or more such preceding three years in accordance with Section 6012 of the Internal Revenue Code, (I/We) are familiar with such Section 6012 and confirm that such returns were not required to be filed for the following years:

8. c. With respect to the transfer of ownership of the home:

- (i) (I/We) have attached a copy of the purchase contract, together with all other agreements which (I/We) have entered into with the seller of the home, to this Affidavit.
- (ii) (I/We) have completed Part III of this Affidavit and (I/we) hereby certify the information therein to be true, accurate and complete.
- (iii) Neither (I/We) nor anyone on (my/our) behalf has made any payment other than the amount shown in (i) to the seller of the home or to any other person on behalf of the seller, nor have (I/We) cancelled any debt of the seller or any related person to the seller.
- (iv) (I/We) have not entered into any agreement with the seller of the home, the developer, the contractor, or any other person pursuant to which any portion of the home has been left unfinished or any fixtures or other architectural appointments have been omitted or removed from the home in order to reduce the acquisition cost.
- (v) If the residence is located on leased land, a copy of the lease has been provided to the originating lender.

* The term "present ownership interest" includes not only outright (fee simple) ownership but also any of the following interests if held either directly by you or in trust for you: 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 contract pursuant to which you have possession and the benefits and burdens of ownership although legal title is not transferred until some time later. A "principal residence" does not include a vacation home or time sharing residence which is not used as a permanent residence or a mobile home which is located on land which is leased for less than two years.

* [Skip Question 9 if a Qualified Rehabilitation Loan exemption is applicable.]

9. (I/We) will not use any part of the loan proceeds to acquire or replace an existing mortgage except for the construction period financing or other temporary initial financing as follows:

<u>Amount of Loan Proceeds</u>	<u>Type, Purpose and Terms of Existing Mortgage Being Acquired or Replaced</u>
------------------------------------	------------------------------------------------------------------------------------

10. (I/We) have not purchased the home for purposes of resale and will not allow the mortgage on the home to be assumed, nor sell the home subject to the mortgage unless the applicable compliance requirements pursuant to Section 143 of the Internal Revenue Code have been satisfied and the Corporation has provided written permission.

11. [Answer Question 11 only for a rehabilitation loan or loan for a newly constructed home.]

- (a) (I/We) are the first resident(s) of the home after the completion of the construction or rehabilitation.

12. (My/Our) current income does not exceed \$ _____ [RIHMFC Income Limit]. (Actual eligibility determination will be made by reference to gross income as computed in Part IV of this affidavit.)

13. (I/We) understand that any employee of the Corporation or any Participating Lender in the Corporation's First Homes Program, and any spouse or immediate relative (i.e. parent, sibling or child) of such employee or spouse, must complete a No Preference Affidavit. (Attachment 1)

PART III - ACQUISITION COST OF THE RESIDENCE

The acquisition cost of the land and dwelling is computed as follows:

1. Amount paid, in cash or by check, draft or other instrument, or the value of any property transferred of any other kind, by the Purchaser(s) to or for the benefit of the Seller(s) for the land and dwelling (see Note 1 below) (including a real estate broker's commission of _____% or \$_____)
2. Amount paid, in cash or by check, draft or other instrument, or the value of any property transferred of any other kind, by any other person to or for the benefit of the Seller(s) for the land and dwelling (See Note 2 below)
3. Amount paid to the Seller for fixtures such as light fixtures, curtain rods and wall-to-wall carpeting unless the amount paid for fixtures is part of the cost of the land and dwelling including in 1 or 2 above (See Note 3 below)
4. Amounts, if any, not included in 1, 2, 3 or 7, and paid to others for items which are standard fixtures including refrigerator, stove, dishwasher, washer, dryer and bathroom fixtures.
5. If the dwelling was under construction or rehabilitation, incomplete or unfinished at the time the property was acquired by Purchaser, a Schedule of Completion Cost (Form # 11) must be completed. Amount of "Total Project Cost of Completion" from Schedule of Completion Costs which are not to be paid to the Seller(s) in 1, 2, 3 or 7.
6. If the dwelling is leased or subject to a ground rent, the capitalized value of the lease payments or ground rent.
7. Amounts paid for any purpose by Purchaser(s) on behalf of the Seller(s) for any lien or assessment to which the property is subject Nature of Payment
8. Settlement or financing costs in excess of the usual and reasonable costs (See Note 4 below) (specify).
9. Total Acquisition Cost..... **\$** _____

Note: The acquisition cost of a Residence does not include the following:

- (1) The cost of land (regardless of the appraised value of such land) which has been owned by the Purchaser(s) or members of the Purchaser(s) immediate family for at least two years before the date on which the construction of the structure comprising the Residence begins.
- (2) The imputed value of services performed by the Purchaser(s) or members of his or her family (which include only the Purchaser's grandparents, parents, children, brothers and sisters, spouse or other ancestors and lineal descendants in constructing or completing the residence, or
- (3) The cost of personal property sold with the premises which is separately identified in the contract, valued at its fair market value and not financed by the Qualified Mortgage.
- (4) Usual and reasonable settlement and financing costs: "settlement costs" include titling and transfer costs, title insurance, survey fees and other similar costs, and "financing costs" include credit reference fees, legal fees, appraisal expenses, points which are paid by the Purchaser(s), or other costs of financing the residence. Such amounts must not exceed the usual and reasonable costs which otherwise would be paid, if the loan were not being financed with the proceeds of tax-exempt bonds.

PART IV - INCOME ELIGIBILITY

The financial information requested in this Part IV must be provided by the borrower(s) at time of application. The Lender will calculate the income based on the receipt of verifications. Any changes to the income after lender verification will be made at the closing.

For purposes of compliance under the Program income limits, all income from the borrower's spouse, any person(s) having and ownership interest in the subject property and any adult(s) (over 18) who will be occupying the subject property must be included.

The information requested below must be provided in order to determine eligibility under the Program's income limits. The limits are used solely to determine eligibility under the Program's income limit provisions and will not be used for mortgage loan underwriting purposes.

To determine additional income which is ordinarily received periodically other than monthly, add the total amount received during the preceding 12 months and divide by 12.

EACH LINE MUST BE COMPLETED WITH EITHER A DOLLAR AMOUNT OR A ZERO

	AT APPLICATION		VERIFIED		CLOSING to be completed only if verified figures have changed	
	Borrower	Co-Borrower	Borrower	Co-Borrower	Borrower	Co-Borrower
A. MONTHLY EMPLOYMENT INCOME						
Base Pay:	_____	_____	_____	_____	_____	_____
Overtime:	_____	_____	_____	_____	_____	_____
Bonus:	_____	_____	_____	_____	_____	_____
B. OTHER INCOME						
Part-time employment:	_____	_____	_____	_____	_____	_____
Child Support:	_____	_____	_____	_____	_____	_____
Alimony:	_____	_____	_____	_____	_____	_____
Unemployment Compensation:	_____	_____	_____	_____	_____	_____
Social Security/Disability:	_____	_____	_____	_____	_____	_____
VA Compensation:	_____	_____	_____	_____	_____	_____
Pension/Estate/Trust Income:	_____	_____	_____	_____	_____	_____
Tips:	_____	_____	_____	_____	_____	_____
Public Assistance:	_____	_____	_____	_____	_____	_____
Net Rental Income:	_____	_____	_____	_____	_____	_____
Interest/Dividends:	_____	_____	_____	_____	_____	_____
Royalties:	_____	_____	_____	_____	_____	_____
Other Income:	_____	_____	_____	_____	_____	_____
C. SELF EMPLOYEMNT INCOME						
Schedule C, F, or E from 1040	_____	_____	_____	_____	_____	_____
Add Depreciation	_____	_____	_____	_____	_____	_____
D. Gross Monthly Income	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
E. Gross Monthly Income Non Purchasing Spouse	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
F. Annual Gross Income (total of line "C" multiplied by 12)	\$ _____		\$ _____		\$ _____	

Note to Borrowers: If Total Annual Gross Income is above the applicable limit at EITHER time of the loan application, lender verification or at title closing, the Borrower(s) will not be eligible for a mortgage loan.

PART V - CERTIFICATION

(I/We) have read the Recapture Notification as set forth in Part 1 hereof, and understand that (I/We) may be required to pay a recapture tax to the United States Treasury as a result of receiving (my/our) mortgage loan from the proceeds of a tax-exempt bond.

(I/We) understand that, if (I/We) have made any material misstatement in the foregoing representations or omitted to state any of the information requested, the following may occur:

- 1) (I/We) will be fined not more than \$1,000,000 or imprisoned not more than thirty years, or both, pursuant to Section 1014 of Title 18 of the United States Code.
- 2) The office of Attorney General will be contacted for investigation regarding perjury, misrepresentation and fraud.
- 3) The outstanding principal balance of the loan will be immediately due and payable together with accrued interest and foreclosing costs (if foreclosure is necessary because payment in full is not made immediately).
- 4) (I/We) have read and understand the following provisions of Chapter 33 of Title 11 of the Rhode Island General Laws:

11-33-1. Perjury - (a) Every person under oath or affirmation who knowingly makes any false material declaration or makes or uses any other information, including any book, paper, document, record, recording, or other material, knowing the same to contain any false material declaration, shall be deemed guilty of perjury.....

11-33-2. Penalty for Perjury - Every person who shall be guilty of perjury or of subornation of perjury, by procuring another to commit perjury, shall be imprisoned not exceeding twenty (20) years.

(I/We) declare under penalty of perjury that the foregoing warranties and representations are true and correct.

Date Signature (Name: _____)

Date Signature (Name: _____)

Subscribed and sworn to before me this _____ day of _____, 20_____.
(PRINT NAME): _____ Notary Public
My Commission Expires _____

INTERVIEWER'S CERTIFICATION

I have explained the contents of the Affidavit to each of the Borrowers whose signature appears above, and I have no reason to believe that those individuals made any misstatements in the warranties and representations required to be made herein or omitted to state any of the information requested.

By: _____
Participating Lender Date Name: Title:

CLOSING ATTORNEY'S CERTIFICATE

I have discussed the contents with the above signed Borrower(s) and have no reason to believe that there is any misstatement or omission therein and the Borrower(s) represented to me that its contents were understood.

Closing Attorney

PART VI - REAFFIRMATION AT TITLE CLOSING

(I/We) as Purchaser(s) of the Residence indicated herein reviewed all of the foregoing representations and warranties made by (me/us) as of this _____ day of _____, 20_____(the title closing date).

(I/We) do hereby reaffirm all of the foregoing representations and warranties previously made.

Purchaser

Purchaser

PART VII - BORROWER COUNSELING PROGRAM DISCLOSURE

In the event that payments due on your mortgage are not made (become delinquent) as specified in your mortgage note, , _ (Lender) will initiate certain actions to inform you of your payment responsibilities through the following methods:

- Notification to the Borrower of an overdue payment within 15-18 days of such overdue payment and that a late charge has been incurred;
- Attempts to contact the Borrower by telephone prior to the 30th day of delinquency in order to determine the reasons for the delinquency and discuss relief provisions;
- Attempts to obtain face-to-face contact with the Borrower prior to the 60th day of delinquency in order to discuss the delinquency;

(I/We) undersigned hereby acknowledge the availability of a program addressing delinquency counseling as described above. The availability of a counseling program does not relieve me(us) of the responsibilities for making timely payments as specified in my(our) mortgage note, nor does it limit the collection activities that the Lender may take in enforcing the terms of the mortgage note.

Borrower	Date
Borrower	Date

.....
PART VIII - BORROWER ACKNOWLEDGMENT OF HOMEBUYER EDUCATION

I certify that I have successfully completed a homebuyer education program and understood the following topics:

- | | | | |
|--------------------------------|-----------------|-----------------|------------------------|
| ▪ Ratios and Pre-qualification | ▪ Credit Report | ▪ Closing Costs | ▪ Downpayment |
| ▪ Budgeting | ▪ PITI | ▪ Appraisals | ▪ Property Maintenance |

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PART IX - BORROWER AUTHORIZATION TO RELEASE INFORMATION FOR CREDIT COUNSELING

If I/We experience difficulty in making my monthly mortgage payment, I/We acknowledge that the servicer of my mortgage loan may provide me with information regarding counseling programs. If I choose to engage a counseling program to assist me, then upon my request, my servicer will release certain financial information related to my mortgage loan to the counseling program. This information may include, but may not be limited to: Original Loan Amount, Payment Due Date, Monthly Payment Amount, Current Balance, Payment History, Amount Past Due.

Borrower	Date
Borrower	Date

.....
PART X - AUTHORIZATION FOR USE OF IRS FORM 4506-T

Rhode Island Housing requires the IRS Form 4506-T to be signed by Borrowers at closing. This form permits Rhode Island Housing to request copies of your tax returns directly from the Internal Revenue Service. In the event that your loan is randomly selected for an audit, this form will be used to compare the IRS records to the information submitted by you for your mortgage approval. By signing this disclosure, you acknowledge your understanding of this requirement and authorize our auditors to obtain copies of your tax returns.

Borrower	Date
Borrower	Date

NO-PREFERENCE AFFIDAVIT

STATE OF RHODE ISLAND

COUNTY OF _____ } SS.:

I _____, being duly sworn, state that I have not received any preferential treatment in connection with my application for, the processing of and my receipt on the date hereof of a mortgage loan with respect to property at:

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 20_____.

Witness

Borrower

Co-Borrower

NO-PREFERENCE AFFIDAVIT

On behalf of the Participating Lender listed below, the undersigned certifies that the above no preference affidavit is true and correct.

By

Witness

Name

Title

For _____
Participating Lender

To be completed by any Borrower or Co-Borrower who is an employee or relative of an employee of a Participating Lender or the Corporation. Lender must complete Lender's Certificate when Borrower or Co-Borrower or relative is employee of Participating Lender.