

### SUBSIDY REPAYMENT AGREEMENT

Only one agreement should be executed by the subject borrower for the subject property. The agreement is completed at the closing of the first Agency loan to the borrower regardless of whether or not they qualify for payment assistance at that time.

1. As required under section 521 of the Housing Act of 1949 (42 U.S.C. 1490a), subsidy received in accordance with a loan under section 502 of the Housing Act of 1949 is repayable to the Government upon the disposition or nonoccupancy of the security property. Deferred mortgage payments are included as subsidy under this agreement.

2. When I fail to occupy or transfer title to my home, recapture is due. If I refinance or otherwise pay in full without transfer of title and continue to occupy the property, the amount of recapture will be calculated but, payment of recapture can be deferred, interest free, until the property is subsequently sold or vacated. If deferred, the Government mortgage can be subordinated but will not be released nor the promissory note satisfied until the Government is paid in full. In situations where deferment of recapture is an option, recapture will be discounted 25% if paid in full at time of settlement.

3. Calculating Original Equity.

For Self-Help loans, the market value is the appraised value as determined at the time of loan approval/obligation, which is subject to completion per plans and specifications. If the house is not ultimately finished under the Self-Help program, an amended agreement using the market value definition for all other transactions as outlined below must be completed.

For all other transactions, the market value is the lower of the:

- Sales price, construction/rehabilitation cost, or total of these costs, whichever is applicable
- OR
- Appraised value as determined at the time of loan approval/obligation.

If the applicant owns the building site free and clear or if an existing non-Agency debt on the site without a dwelling will not be refinanced with Agency funds, the market value will be the lower of the appraised value or the construction cost plus the value of the site.

Market value of property located at:

\_\_\_\_\_ \$ \_\_\_\_\_

Less Prior Liens \$ \_\_\_\_\_ Held by \_\_\_\_\_  
\$ \_\_\_\_\_ Held by \_\_\_\_\_

Less Subordinate Affordable Housing Products \$ \_\_\_\_\_ Held by \_\_\_\_\_  
\$ \_\_\_\_\_ Held by \_\_\_\_\_

Less Rural Development Single Family Housing Loans \$ \_\_\_\_\_  
Equals Original Equity (If negative number use "0") \$ \_\_\_\_\_

Percent of Original Equity \$ \_\_\_\_\_ %  
(Determined by dividing original equity by the market value)

4. If all loans are not subject to recapture, or if all loans subject to recapture are not being paid, the amount to be recaptured is computed according to the following formula. Divide the balance of loans subject to recapture that are being paid by the balance of all open loans. Multiply the result by 100 to determine the percent of the outstanding balance of open loans being paid.

*According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.*

5.

| months<br>loan<br>outstanding | Average interest rate paid |     |     |     |     |     |     |     |
|-------------------------------|----------------------------|-----|-----|-----|-----|-----|-----|-----|
|                               | 1%                         | 2%  | 3%  | 4%  | 5%  | 6%  | 7%  | >7% |
| 0 - 59                        | .50                        | .50 | .50 | .50 | .44 | .32 | .22 | .11 |
| 60 - 119                      | .50                        | .50 | .50 | .49 | .42 | .31 | .21 | .11 |
| 120 - 179                     | .50                        | .50 | .50 | .48 | .40 | .30 | .20 | .10 |
| 180 - 239                     | .50                        | .50 | .49 | .42 | .36 | .26 | .18 | .09 |
| 240 - 299                     | .50                        | .50 | .46 | .38 | .33 | .24 | .17 | .09 |
| 300 - 359                     | .50                        | .45 | .40 | .34 | .29 | .21 | .14 | .09 |
| 360 & up                      | .47                        | .40 | .36 | .31 | .26 | .19 | .13 | .09 |

6. Calculating Recapture

Current Market value

LESS

Original amount of prior liens and subordinate affordable housing products,  
 RHS balance,  
 Reasonable closing costs,  
 Principal reduction at note rate,  
 Original equity (see paragraph 3), and  
 Capital improvements (see 7 CFR part 3550).

EQUALS

Appreciation value. (If this is a positive value, continue.)

TIMES

Percentage in paragraph 4 (if applicable),  
 Percentage in paragraph 5, and  
 Return on borrower's original equity (100% - percentage in paragraph 3).

EQUALS

Value appreciation subject to recapture. Recapture due equals the lesser of this figure or the amount of subsidy received.

Borrower agrees to pay recapture in accordance with this agreement.

|          |      |
|----------|------|
| Borrower | Date |
| Borrower | Date |