



State of New York Mortgage Agency

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PRISCILLA ALMODOVAR
President and CEO

By E-mail and US Mail

July 28, 2009

RE: SONYMA Mortgage Credit Certificates (MCCs)

Dear Participating Lender:

The State of New York Mortgage Agency (“SONYMA”) typically makes its mortgage funds available through the issuance of tax-exempt bonds. However, while loan reservations have started to increase recently, the prolonged uncertainty in the tax-exempt municipal bond market has prompted us to explore alternatives to our current products and funding sources in an effort to continue providing benefits to New York State’s first time homebuyers.

Federal tax law provides state housing finance agencies, such as SONYMA, an alternative to issuing tax-exempt bonds. With mortgages funded by bonds, the borrower receives a benefit through a lower rate of interest from SONYMA. With the alternative Mortgage Credit Certificate (“MCC”), homebuyers can convert a portion of their annual interest paid on a conventional loan into a direct dollar-for-dollar Federal tax credit.

Benefits of an MCC

MCCs help reduce the income tax burden of new homebuyers, making home purchases more affordable. Homebuyers who utilize the credit can reduce their Federal tax liability by 20% of their annual mortgage interest expense; the remaining mortgage interest will continue to qualify as an itemized tax deduction for homeowners who receive the credit. Unlike the \$8,000 Federal first-time homebuyer tax credit, an MCC continues to provide an annual benefit for as long as the homebuyer occupies his/her financed residence. In the event a homebuyer’s annual tax liability is less than the MCC credit in any given year, the amount of unused tax credit can be carried forward for up to three (3) years. Further, the estimated monthly value of the credit may be added to the borrower’s gross monthly income for credit qualifying purposes (depending on the lender’s/investor’s requirements).

SONYMA expects to launch the MCC program in early to mid-August. Given this, borrowers can also take advantage of the \$8,000 Federal first-time homebuyer tax credit in conjunction with an MCC if their mortgage closes by November 30, 2009.

Attached is a term sheet that provides a summary of the MCC program along with specific examples showing the benefits of MCCs.

Borrower and Property Eligibility

To qualify for an MCC, all borrowers and properties must conform to the standard SONYMA IRS compliance requirements (those of our tax-exempt bond programs) which include:

- First-time homebuyer requirement except for eligible military veterans and those who purchase a home in a SONYMA Target Area;
- Properties must be owner-occupied by the MCC recipient. (*Failure to occupy the eligible property will result in revocation of the MCC.*)
- Household income cannot exceed SONYMA's Low Interest Rate Program income limits;
- Home purchase price cannot exceed SONYMA's Low Interest Rate Program purchase price limits;
- No more than 15% of the property can be used for business or commercial use; and
- Eligible properties are 1- to 4-family existing homes and 1- and 2-family new construction. Property types include condos and coops. 2-family new construction must be located in a SONYMA Target Area.

Borrowers and property sellers must complete the customary SONYMA forms – the Recapture Notification and Mortgagor's Affidavit, the Property Seller's Affidavit, and if applicable, the Military Veteran's Eligibility Affidavit. (Each of these forms have been being slightly modified to incorporate the appropriate MCC language.) In addition, three (3) years signed Federal tax returns will be required from all borrowers. Borrowers are also subject to the Federal recapture tax, but as with our bond-funded programs, SONYMA agrees to reimburse any borrower who pays the tax and submits the required documentation.

Loan Process

Federal law prohibits SONYMA from combining MCCs with its own mortgages. However, MCCs can be used with other **fixed-rate** mortgages offered by participating lenders, which include, but not limited to:

- Conventional loans (Fannie Mae/Freddie Mac);
- FHA-insured loans;
- VA-guaranteed loans; and
- Lender CRA loans or proprietary products.

Since SONYMA is not the investor in MCC loans, we will not be involved with the review of the borrower's credit quality. As such, there is no pool insurance review. SONYMA's oversight role is to ensure that the borrower and the property comply with the Federal regulations applicable to MCCs.

Applicants will apply to a participating lender for one of the above product types. Simultaneously, the lender can process the MCC application. In order for a borrower to receive an MCC from SONYMA, we must approve the MCC application prior to loan closing. MCC loans must be reserved on SONYMA's web-based Lender Online system.

- MCC Pre-Closing Application File to SONYMA
Lenders must submit the MCC compliance file to SONYMA in accordance with the procedures of the attached MCC Program Manual. The file must contain the documents referenced above in the Borrower and Property Eligibility section and listed on the MCC Application File Checklist (SONYMA Form M1), attached hereto. SONYMA will review files in the same manner it does under its standard programs. Lenders will be able to track the MCC application status and any pending documentation on Lender Online. Upon its approval of the loan, SONYMA will advise the lender the MCC application has been approved.
- Delivery of Post-Closing MCC File to SONYMA. Once a lender has received MCC approval from SONYMA, the lender will close the loan using its standard closing procedures. Immediately after loan closing, lender must submit to SONYMA the MCC Post-Closing Document Checklist (SONYMA Form M2), attached hereto, along with the originals of the reaffirmed Recapture Notification and Mortgagor's Affidavit, the Property Seller's Affidavit, and the Military Veteran's Eligibility Affidavit, if applicable. SONYMA will review the Post-Closing MCC File and will advise lenders of any deficiencies. Upon approval of the file, SONYMA will issue the MCC directly to the borrower with a copy to the lender.

Revised and New SONYMA Forms

SONYMA has modified the below listed forms. Lenders **must** use these forms for any MCC application. The forms may also be used for our standard mortgage loan programs. For our standard mortgage loans, lenders may begin using the forms immediately and **must** use the new forms for reservations made on or after January 1, 2010.

Form Name and Number	Comments
<ul style="list-style-type: none"> • Recapture Notification and Mortgagor's Affidavit (Form #211/5-09) 	Incorporates appropriate MCC language. <i>Changes the definition of Household Member to include the income of any person age 18 or older.</i> May also be used with standard SONYMA loans.
<ul style="list-style-type: none"> • Property Seller's Affidavit (Form #210/5-09) 	Incorporates appropriate MCC language. May also be used with standard SONYMA loans.
<ul style="list-style-type: none"> • Military Veteran's Eligibility Affidavit (Form #243/5-09) 	Incorporates appropriate MCC language. May also be used with standard SONYMA loans.
<ul style="list-style-type: none"> • MCC Application File Checklist (Form #M1/5-09) 	New form for specific use with MCCs.
<ul style="list-style-type: none"> • MCC Post-Closing Document Checklist (Form #M2/5-09) 	New form for specific use with MCCs.

Please immediately discard previous versions of these forms and replace them with the attached forms. Note that the MCC Application File Checklist (Form M1) and the MCC Post-Closing Document Checklist (Form M2) must be used for the MCC program only; lenders must continue to submit the standard pre-closing or post-closing mortgage loan checklists [respectively, Forms 225 and 223 (or Form 224 for cooperative loans)] for all other SONYMA programs.

Lender Participation Procedure

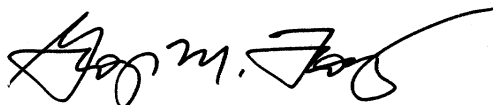
Lenders currently approved to originate loans under SONYMA's existing mortgage purchase programs will automatically qualify to participate in the MCC program, provided they continue to be eligible under the terms of those programs. To participate, lenders will need to execute two (2) copies of the attached Mortgage Credit Certificate Participation Agreement.

Lenders who are *not* a current SONYMA participating lender must complete a full SONYMA participating lender application. The requirements are stated on SONYMA's website (<http://www.nyhomes.org/index.aspx?page=11>).

Within the coming weeks, you will be contacted by a SONYMA Relationship Manager - Gail Kresge for downstate lenders and Lynn Morris for upstate lenders. The Relationship Manager will answer any questions you may have regarding the Program or procedures.

We look forward to your participation in the MCC program. If you should have any questions, please feel free to contact either Gail Kresge at (917) 576-8250 or gkresge@nyhomes.org, Lynn Morris at (917) 613-1465 or lmorris@nyhomes.org, or the undersigned at (212) 872-0392 or gleocata@nyhomes.org.

Sincerely,



George M. Leocata
Senior Vice President
Single Family Programs



Mortgage Credit Certificate Program Term Sheet

MAIN FEATURES

- Mortgage Credit Certificates (“MCC”) issued by SONYMA enable first-time homebuyers to convert 20% of their annual mortgage interest into a direct tax credit on their Federal Tax Return for each year of the life of their loan;
- MCCs can be used with any of lender’s fixed interest rate mortgage products;
- Borrowers with MCCs can also take advantage of the \$8,000 Federal first-time homebuyer credit (if closed by November 30, 2009);
- Potential applicants will be able to estimate the amount of credit they may eligible for by using SONYMA’s MCC Benefits Calculator (to be published on our website).

PROGRAM TERMS

Program Size	Initial Allocation of \$20 million in MCCs will leverage approximately \$100 million in new mortgages.
Eligible Mortgage Products	<ul style="list-style-type: none"> ➤ Conventional loans (Fannie Mae/Freddie Mac); ➤ FHA-insured loans; ➤ VA-guaranteed loans; and ➤ Lender CRA loans or proprietary products. <p>Note: SONYMA loans are not eligible for an MCC.</p>
Eligible Mortgage Interest Rates	<ul style="list-style-type: none"> ➤ Fixed-rate loans only ➤ Must <i>not</i> be considered a “High-Cost Home Loan” as defined by New York State law.

MCC BENEFITS AND TERMS

MCC Benefit	Issued by SONYMA, the MCC allows borrowers to convert 20% of their annual mortgage interest into a direct <u>Federal</u> tax credit, each year – typically resulting in substantial Federal income tax savings (see attached examples).
Duration of MCC Credit	<p>Tax credit may be taken <i>annually</i> until mortgage loan is extinguished as long as the home remains the borrower’s principal residence.</p> <p>The amount of the tax credit cannot exceed the amount of a borrower’s <i>annual</i> Federal income tax liability. Unused portions of the credit may be carried forward for up to three (3) years.</p>
Using the Benefit for Loan Qualification Purposes	<ul style="list-style-type: none"> ➤ Depending on the investor/insurer, the estimated monthly credit may be added to gross income for qualifying purposes. Use the following calculation to determine available income:

	<p>(Mortgage Amount) x (Note Rate) x 20% divided by 12 (Months)</p> <ul style="list-style-type: none"> ➤ If MCC income is used, the loan file typically must contain: (1) a copy of the MCC Commitment issued by SONYMA; (2) a copy of the Lender's calculation of the adjustment to the borrower's income; and (3) a copy of revised W-4 provided to the borrower's employer prior to loan closing.
MCC Fees	<p>Borrowers will be required to pay a one-time MCC fee to SONYMA as follows:</p> <ul style="list-style-type: none"> ➤ Loans up to \$100,000 - \$250 ➤ Loans over \$100,000 - \$500

BORROWER ELIGIBILITY

First-Time Homebuyer Requirement	Yes. Must comply with standard SONYMA requirements. Target Area and Veteran waivers apply.
Household Income Limits	<p>SONYMA's standard Low Interest Rate Income limits apply.</p> <p>Note: Household income includes all persons age 18 and older, expected to live in the financed home.</p>
Purchase Price Limits	SONYMA's standard Low Interest Rate Purchase Price limits apply.
Owner Occupancy	Yes, MCC Recipients must occupy the mortgaged property. The MCC can be revoked if the borrower(s) no longer occupies the property.

PROPERTY ELIGIBILITY

Eligible Property Types	<ul style="list-style-type: none"> ➤ Existing 1- to 4-Family homes including condos and coops; ➤ New 1-Family homes including condos and coops; and ➤ New 2-Family homes must be located in a Target Area.
Manufactured Housing	Eligible if permanently affixed to real estate.
Property Use	No more than 15% of a borrower's current residence may have been used for business or commercial purposes, as demonstrated by his/her most recent Federal Tax Returns.
Property Size	Maximum of five (5) acres with standard SONYMA exceptions for larger properties.

TARGET AREAS

Federal law permits SONYMA to provide special incentives for applicants purchasing homes in Federally designated Target Areas. These incentives are:

- the first-time home buyer requirement is waived;
- higher household income and home purchase price limits; and

- 2-family homes that are newly constructed or less than five (5) years old, are eligible.

MCC APPROVAL AND ISSUANCE PROCESS

Reservation of MCC on Lender Online	Lender registers the MCC loan application on Lender Online within seven (7) calendar days of accepting the loan application.
Pre-Closing MCC File Submission to SONYMA	<p>Prior to loan closing, lenders will be required to submit an MCC application loan file to SONYMA for approval. Files must contain photocopies of the typical SONYMA forms listed below and referenced on the MCC Application File Checklist (Form M1/5-09):</p> <ul style="list-style-type: none"> ➤ Recapture Notification and Mortgagor’s Affidavit (Form 211/5-09); ➤ Three (3) Years Signed Federal Income Tax Returns; and ➤ Military Veterans Eligibility Affidavit (Form 243/5-09), if applicable.
Approval of MCC	MCC application files will be reviewed within 24 to 48 hours of receipt. SONYMA will publish the approval on Lender Online.
Post-Closing MCC File Submission to SONYMA	<p>After loan closing, lenders will be required to submit an MCC post-closing file for SONYMA’s approval. Files must contain the <u>original</u> forms listed below and referenced on the MCC Post-Closing Document Checklist (Form M2/5-09):</p> <ul style="list-style-type: none"> ➤ Reaffirmed Recapture Notification and Mortgagor’s Affidavit (Form 211/5-09); ➤ Property Seller’s Affidavit (Form 210/5-09); and ➤ Military Veterans Eligibility Affidavit (Form 243/5-09), if applicable.
Issuance of MCC	Upon SONYMA’s receipt and acceptance of the MCC post-closing file, SONYMA will issue the MCC Certificate directly to the MCC recipient with a copy to lender.

OTHER CONSIDERATIONS

Lender Approval	Lenders who are currently SONYMA participating lenders are automatically qualified to participate in the MCC program. New lenders will need to meet SONYMA’s standard eligibility requirements [see SONYMA website for more information (www.nyhomes.org “Become a SONYMA Participating Lender”)].
Federal Recapture Tax	Applies, but SONYMA will reimburse any recipient required to pay the recapture tax.

Benefit of Mortgage Credit Certificates (MCC)

	Example 1		Example 2		Example 3	
	Without MCC	With MCC	Without MCC	With MCC	Without MCC	With MCC
Property Location:	Erie County		Saratoga County		Suffolk County	
Loan Amount:	90,000	90,000	200,000	200,000	300,000	300,000
Interest Rate	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
Estimated First Year's Mortgage Interest*	4,950	4,950	11,000	11,000	16,500	16,500
Annual Income***	45,000	45,000	53,000	53,000	72,300	72,300
Deductions						
Mortgage Interest**	4,950	3,960	11,000	8,800	16,500	13,200
Annual Real Estate Taxes***	3,000	3,000	3,600	3,600	5,300	5,300
Exemptions***	6,800	6,800	6,800	6,800	6,800	6,800
Taxable Income	30,250	31,240	31,600	33,800	43,700	47,000
Tax Liability	3,735	3,884	3,938	4,268	5,753	6,248
MCC Credit (20%)	-	990	-	2,200	-	3,300
Modified Tax Liability	3,735	2,894	3,938	2,068	5,753	2,948
Annual Tax Savings		842		1,870		2,805
Monthly Savings		70		156		234

*This amount will decrease slightly each year.

**For MCC loans, this figure represents 80% of the total mortgage interest.

***Entries are based on SONYMA averages for the areas listed.





Mortgage Credit Certificates (MCCs)

Program Manual

July 2009

This manual is intended to assist Lenders in completing and packaging both the pre-closing MCC application files and the post-closing files that must be sent to SONYMA for review and approval. SONYMA reviews each file only to ensure compliance with specific IRS regulations. Adherence to the following will greatly enhance the likelihood of receiving faster approvals of MCC Mortgage Loans from SONYMA. Please note that any capitalized words or terms shall mean those as defined in the MCC Lender Participation Agreement.

A. INTRODUCTION TO MCCs

A mortgage credit certificate or MCC, is an alternative way for SONYMA to assist first-time homebuyers. With an MCC, 20% of a Mortgagor's annual mortgage interest can be converted into a tax credit that can be deducted dollar for dollar from his/her Federal income tax liability. The remaining 80% of mortgage interest continues to qualify as an itemized tax deduction. The credit can be taken to reduce the Mortgagor's tax burden every year for the life of the mortgage loan. The feasibility of the MCC and the degree to which it can provide housing assistance is dependent upon the extent to which homebuyers have a Federal tax liability, which can be offset by the MCC tax credit.

Federal law prohibits SONYMA from combining MCCs with its own mortgages. However, MCCs can be used with other **fixed-rate** mortgages that Lenders offer, such as:

- Conventional loans (Fannie Mae/Freddie Mac)
- FHA-insured loans
- VA-guaranteed loans
- Lender CRA loans or proprietary products

Mortgages that are considered a "High-Cost Home Loan" under New York State law are *not* eligible for an MCC.



Note: With an MCC, SONYMA will not be purchasing the mortgage loan. As such, SONYMA is not concerned with the Mortgagor's credit quality. SONYMA's role is to ensure that a Mortgagor complies with the Federal regulations that apply to an MCC.

The benefits of an MCC to a first-time homebuyer can be significant. For example, for a mortgage of \$200,000 with an interest rate of 5.5%, the mortgage interest paid in the first year is \$10,933. With an MCC, 20% of the interest, or \$2,186, can be converted to a direct tax credit, providing a savings of \$182 per month. The MCC will be in effect for the life of the mortgage so long as the residence remains the MCC recipient's principal residence. The MCC amount will decrease slightly each year as the amount of interest paid decreases. In order to receive the credit, Mortgagor(s)

MCC Program Manual (Continued)

must file [IRS Form 8396](#) with his/her Federal tax returns for each year the MCC Recipient qualifies for the credit.

Mortgagors receiving an MCC can also take advantage of the \$8,000 Federal tax credit—which is available for loans closed by November 30, 2009.

SONYMA has created an MCC Benefits Calculator that is available on our web site, www.nyhomes.org. The calculator can help applicants determine the amount of the credit they may receive.

Use of an MCC

The MCC Beneficiary may want to consider adjusting his or her Federal income tax withholding (by filing an amended IRS Form W-4 with his or her employer) to spread the benefit of the MCC tax credit over the entire year. Taking this step would reduce the amount of taxes withheld and increase the MCC Beneficiary's disposable net income. If the amount of MCC Federal tax credit exceeds the MCC Beneficiary's tax liability minus any other personal credits for the tax year, the unused portion of the MCC tax credit can be carried forward to the next three tax years or until used, whichever comes first. The MCC Beneficiary will have to keep track of the unused MCC tax credit each year. The current year's MCC tax credit is applied first and then the oldest amount of unused MCC tax credit is applied next.

B. LENDER INFORMATION

- **Lender Manual and Announcements.** Use this document and subsequent announcements to the manual to originate mortgage loans with MCCs. SONYMA program forms and lender announcements may be downloaded from SONYMA's website (<http://www.nyhomes.org/home/index.asp?page=103>).
- **Communications to and from Lender.** SONYMA will communicate MCC program announcements, changes, and other notices *via e-mail* and through the Lender page of our website (<http://www.nyhomes.org/home/index.asp?page=103>).
- **Training:** SONYMA has two Relationship Managers that provide Lenders with assistance and training on MCC processes, policies, and procedures. Please feel free to contact them using the following information:

Albany County and South:	Gail Kresge	212-872-0399 Office 917-576-8250 Cell gkresge@nyhomes.org (Best Option)
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North and West of Albany:	Lynn Morris	917-613-1465 Cell lmorris@nyhomes.org
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- **Lender Eligibility and Financial Status.** To originate mortgage loans with MCCs, Lenders must meet and continue to adhere to SONYMA's lender eligibility requirements including

MCC Program Manual (Continued)

the minimum financial standards set forth below.



Note: Lenders currently approved to originate loans under SONYMA's existing mortgage purchase programs will automatically qualify to participate in the MCC program, provided they continue to be eligible under the terms of those programs.

To be approved and continue as a SONYMA participating Lender, your corporation:

- Must be a corporation or organization located in New York State and be one of the following: (i) bank or trust company, savings bank, savings and loan association, industrial bank, national banking association, federal savings and loan association, federal savings bank; (ii) a credit union or federal credit union; or (iii) a New York State licensed mortgage banker approved as a mortgage lender by Fannie Mae or Freddie Mac.
- Must originate mortgages as a primary component of the company's overall business operations.
- Must annually meet SONYMA's financial requirements. SONYMA requires the Lender to have a minimum net worth to assets of at least five percent (5%). Lenders who are not currently a SONYMA participating Lender will be required to submit copies of the last three years' certified financial statements (including Notes) and any interim statements. (For banks, also attach the last three (3) years' annual FDIC, FHLBB, OTS or FFIEC Call Reports, along with the latest interim Call Reports).

Note: The "as of" date of the last three (3) years' Call Reports should match the year-end date of the financial statements.

C. IRS REQUIREMENTS - Because MCCs are authorized by the Federal tax code, all Mortgagors and properties must comply with the below requirements. SONYMA cannot waive or alter any of these requirements.

MORTGAGOR ELIGIBILITY REQUIREMENTS – The following requirements apply to all MCC Beneficiaries.

- Must be first-time homebuyer
 - **Definition:** All MCC Beneficiaries must **not** have had ownership interest in their primary residence for the three (3) years immediately preceding the application date and as of the application date, must not currently own a vacation or investment home.
 - SONYMA requires all MCC Beneficiaries to submit the last three (3) years signed Federal tax returns including all schedules.
 - If MCC Beneficiaries itemized deductions on Schedule A of Form 1040 for real estate taxes and/or home mortgage interest, SONYMA requires a notarized affidavit to explain the deductions. SONYMA will review the affidavit to determine if the

MCC Program Manual (Continued)

applicant is eligible.



Note: In order to be eligible for an MCC, SONYMA will require any applicant, who has taken real estate tax and/or home mortgage interest deductions on a property not owned by the applicant, to amend his/her tax returns to eliminate these deductions.

- First-time homebuyer requirement and submission of tax returns is not required under the following circumstances:
 - for properties located in designated **Target Areas**. *See the below section on Target Areas for more information.*
 - for **military veterans** who served in active military, naval, or air service and were discharged or released from his/her military duties under conditions other than dishonorable.

- Must owner-occupy the property approved under the MCC Program

- Within 60 days of the closing date and must continue to occupy until such time as the property is disposed.
- For 2- to 4-family properties, all MCC Beneficiaries must occupy at least one of the units.



Note: Failure to owner occupy the property will result in an immediate *revocation of the MCC.*

- Must meet household income limits based on household size.

- **Household income definition:** includes income of all persons age 18 or older expecting to occupy the mortgaged premises.
- Based on current income. For income limit purposes only, calculate year-to-date income and project over 12 months to determine annual income.



Note: Please see Section F. 4. d. below for more details on how to treat certain types of income.

- To verify other household income, SONYMA requires a recent pay stub for any person expecting to live in the household (age 18 or older).

- If an MCC applicant owned a manufactured home during previous three years, he/she may qualify - must complete Section II, item 9 (A) or (B1) of the Recapture Notification and Mortgage's Affidavit to determine eligibility.

MCC Program Manual (Continued)

PROPERTY ELIGIBILITY REQUIREMENTS – The following requirements apply to all properties.

- Definitions

The following definitions are important in determining whether the property is eligible for an MCC.

Existing Housing - previously used as a residence - includes condo and coop conversions from previous residential uses (e.g. rental apartments).

New Construction - completed buildings not previously used as a residence - includes condo and coop conversions from previous non-residential uses (e.g. schools, warehouses, etc.).

- Eligible Property Types

Single Family - Existing Housing and New Construction (includes condos, coops, PUDs and prefabricated homes permanently affixed to real property).

Two Family - Existing Housing and New Construction - Newly constructed properties and properties less than five (5) years old must be located in a Target Area. Properties that are five (5) or more years old as of the application date and held out for residential use during the previous five (5) years.

Three and Four Family - Existing Housing only - must be at least five (5) years old as of application date and have been held out for residential use during the previous five (5) years.

- Purchase Price Limits - purchase price based on acquisition cost calculation in Recapture Notification and Mortgagor's Affidavit (Form 211), must be within SONYMA limits.

- Eligible Property must be used for residential purposes only.



Note: An exception to this requirement can be made if no more than fifteen percent (15%) of the applicant's current residence was used for a business or commercial purpose. Please see Section F. 6. below for details.

- Eligible Property must not have more land appurtenant to it than required to maintain the basic livability of the residence. See Section F. 3. below for more details on maximum lot sizes.

TARGET AREAS

Federal law permits SONYMA to provide special incentives for applicants purchasing homes in Federally designated Target Areas. These incentives are:

MCC Program Manual (Continued)

- the first-time home buyer requirement is waived*;
- higher household income and home purchase price limits; and
- two-family homes that are newly constructed or are an existing home that is less than 5 years old are eligible.

(*However, applicants must sell their existing home and are not eligible if they currently own and intend to retain ownership of a vacation or investment home.)

- ☞ To determine if an Eligible Property is located in a Target Area, lender may access SONYMA's website:

<http://www.nyhomes.org/index.aspx?page=270>

FEDERAL RECAPTURE TAX – MCC recipients may be subject to a potential recapture tax from the IRS.

- ☞ ***SONYMA, as with its standard mortgage programs, will reimburse any MCC recipients who have to pay a Federal recapture tax.***

- Two disclosures regarding the Federal recapture must be made to MCC applicants:
 - Lender makes disclosure at application via Recapture Notification and Mortgagor's Affidavit (Form 211);
 - SONYMA makes disclosure directly to Mortgagor after loan closing.
- The FAQ section of SONYMA's website (http://www.nyhomes.org/home/index.asp?page=11&select_faq_by_faq_cat=17) provides information regarding recapture.

D. MCC LOAN RESERVATION PROCESS - All MCCs must be reserved with SONYMA.

- Loans should be reserved within seven (7) calendar days of loan application.
- **Process**
 - Reserve the MCC application via SONYMA's web-based Lender Online. Select "MCC Program 2009" under the New Reservation tab. Note that certain fields that do not apply to MCCs will be grayed out.
 - If the loan cannot be reserved on Lender Online, Lender must complete in full the Loan Reservation Worksheet (Form 238/5-08) and fax (917-274-0406) to SONYMA within seven calendar (7) days from application date. Enter Originator ID and branch code, as assigned by SONYMA, on appropriate lines. Check the box adjacent

MCC Program Manual (Continued)

to the blank line and enter “MCC Program 2009” on the line. Lenders can confirm that reservation was accepted by accessing Lender Online.

- Any problems with reserving MCC loan applications should be directed to Anthony Mancusi, Assistant Vice President – Mortgage Operations.
- ***All MCC loan applications will be reserved under SONYMA program code 750.***
- SONYMA will hold the MCC reservation for a period of 75 calendar days. If it does not receive a pre-closing MCC application file, as described below, the reservation will be canceled.



Note: Lender should make every effort to immediately notify SONYMA of any MCC applications that have been deemed ineligible by the Lender, for whatever reason.

E. PROCEDURE TO SUBMIT FILES

Each Pre-Closing MCC Application Loan File containing the listed documents, completed and executed as set forth below, must be submitted to SONYMA for approval. The documents should be acco-fastened to the folder in the order listed.

Lender must submit the pre-closing loan file to SONYMA for MCC compliance review to:

SONYMA
641 Lexington Avenue, 2nd Floor
New York, NY 10022
Attn: MCC Operations Unit

Upon receipt of a Pre-Closing MCC Application Loan File, SONYMA will review the file and e-mail a notice of decision to lender within 24 to 48 hours. Lender will be required to access the Lender Online system (LOL) to determine the MCC status and if applicable, the documentation required to obtain MCC approval. If Lender does not receive a response within 48 hours or LOL has not been updated with a status, Lender should contact SONYMA’s status line (212-872-0407) to obtain the MCC’s current status.

F. SUBMISSION OF THE PRE-CLOSING MCC APPLICATION FILE

The below documents, unless hereinafter stated otherwise, must be accurately completed and submitted to SONYMA in every pre-closing MCC application file.

MCC Application File Checklist (Form M1/5-09)

Lender uses this form to certify to SONYMA that the loan is being submitted in accordance with SONYMA’s MCC pre-closing guidelines. Lender also uses this form to determine if all documentation, as required by SONYMA, is completed and submitted in the appropriate format. The checklist, if used properly, will greatly reduce the possibility of SONYMA rejecting or suspending the file.

MCC Program Manual (Continued)

Original or photocopy of the form is acceptable.

Lender to complete the form as follows:

- a. On page 1, the SONYMA Loan Number, Loan Amount, Lender Name, Borrower Name(s), and Property Address.
- b. Place an "X" by each item that is applicable to the loan file being submitted.
- c. Lender to sign certification on the last page. Indicate the contact person's name and title, telephone number, date, and e-mail address on the form.

Note: The Contact Person should be the individual who is most familiar with the MCC pre-closing loan file. Questions from SONYMA will be directed to this person.

1. Standard Fannie Mae/Freddie Mac Residential Loan Application (Fannie Mae Form 1003) and Uniform Underwriting & Transmittal Summary (Fannie Mae Form 1008)

Photocopy of the initial (handwritten or computer produced) and verified application (1003), and Form 1008 is required.

Both forms must be fully completed and must include any subsidy amounts. Any subsidies should be stated in the Assets or Details of Transaction section of the 1003. The application must be signed and dated.

2. Fully Executed Contract of Sale

Photocopy is acceptable.

Contract must be signed by all applicant(s) and property sellers. If new construction, any change orders must also be submitted.

3. Standard Fannie Mae/Freddie Mac Appraisal Report

Photocopy is acceptable; however, SONYMA requires original or laser-produced photographs.

Standard Fannie Mae/Freddie Mac forms are acceptable. Three clear, descriptive original or laser-produced photographs must be incorporated within the report. One photograph should be a front view of the property showing the complete improvements, the second should be a rear view of the property, and the third should be a street scene showing neighboring improvements. Additional photographs will be necessary as described below.

Lender should instruct appraisers to describe in detail the usage and the interior of any outbuildings, barns, etc. where there is evidence of plumbing or electricity, or evidence of business or commercial use. Photos of the exterior and interior of such buildings are required.

Lender should have appraiser provide detailed comments on any of the following items:

MCC Program Manual (Continued)

- a. Property does not comply with local zoning ordinances.
- b. Lot size does not conform to SONYMA’s maximum as set forth below.
- c. Property shows evidence of a business or commercial use.
- d. Property contains more kitchens than housing units (provide photo of kitchen and surrounding area).

Maximum Lot Size

Zoned Areas	
Up to 5 acres*	Eligible
5+ to 10 acres*	
If Not Subdivided	and cannot be subdivided, eligible for financing. Lender must provide a letter from the local municipality or other evidence stating that: (1) the Eligible Property is not sub-dividable, or (2) if sub-dividable, that any additional lot(s) would not be buildable.
If Subdivided	and additional lot(s) is not buildable, eligible. Lender must provide a letter from the local municipality or other evidence stating that additional lot(s) are not buildable. If the additional lot is buildable, MCC Mortgage Loan can only secure the lot with the home located on it.
10+ acres	Not eligible
Rural or Unzoned Areas	
Up to 5 acres*	Eligible
5+ to 10 acres*	Parcel must be subdivided to no more than 5 acres. As an alternative Lender may provide a letter from the local municipality or other evidence stating the Eligible Property can only be used for residential purposes and not for a business, commercial, or agricultural use.
10+ acres	Not eligible

(*includes properties with more than 1 tax parcel)

4. Recapture Notification and Mortgagor's Affidavit (Form 211/5-09)*

MCC Beneficiary(ies) completes this form which is required for IRS compliance purposes. The form must be accurately completed in its entirety. *No revisions to the form are permitted.*

Photocopy of form is required (original form is submitted with the post-closing loan file after it is reaffirmed at title closing).

MCC Beneficiary(ies) to complete the following sections on the form:

- a. Top of Page 1

MCC Program Manual (Continued)

SONYMA Loan Number
Lender's Name
MCC Beneficiary(ies) Name(s)
Property Seller Name(s)
Total number of persons (including children) expecting to occupy the residence

b. PART II - GENERAL INFORMATION

MCC Beneficiary Name(s) at top of page 2.

"X" that the applicant(s) is applying for an MCC.

- Item 2: "X" the appropriate line to indicate if the Eligible Property is (A) an existing one unit dwelling; (B) a newly constructed one unit dwelling; (C) a newly constructed or existing two unit dwelling, located in a Target Area, OR an existing two unit dwelling not located in a Target Area; or (D) an existing 3- or 4-unit dwelling. If the Eligible Property is a 3- or 4-family unit dwelling, the number of units must be circled.
- Item 5: If the Eligible Property is a 2- to 4-family home, circle the number of rental units.
- Item 9: "X" the appropriate line concerning ownership interest in a principal home during the 3 year period immediately prior to loan closing. *Please note this information is used for IRS reporting purposes. It is based on their definition of first-time homebuyer which differs from SONYMA's definition.*

If Item "B2" is checked, submit an executed Military Veteran's Eligibility Affidavit (SONYMA Form 243).

Item 9(C): Complete:

Residences in which MCC Beneficiary(ies) has lived during the previous three (3) year period, only if the MCC Beneficiary(ies) is purchasing the residence in a Non-Target Area;

Address of residence, dates purchaser(s) lived there, and names and addresses of owners of residence; and

"X" the appropriate line or lines which indicate the type of Federal Tax returns filed by the MCC Beneficiary(ies) during the previous three (3) years.

"X" the appropriate line if Federal income tax returns were filed via Telefile. Indicate date and location filed.

If the last line is "X", indicate the name(s) of the MCC Beneficiary(ies) and

MCC Program Manual (Continued)

the tax year in which returns were not required to be filed.

c. PART III - ACQUISITION COST OF THE RESIDENCE

Enter the following:

- Line 1: Purchase Price of Existing or Newly Constructed Home. Cost of Construction, if New Construction, and if land was obtained from a person or entity other than the contractor building the residence. Subtract out any subsidy amount(s) for down payment.
- Line 1(a): For Cooperatives, enter the unit's pro-rata portion of the underlying Mortgage (total number of shares allocated to unit divided by total shares in the project, multiplied by the outstanding balance of underlying Mortgage).
- Line 2: Subsidy Amount for down payment, if applicable.
- Line 3: Cost to complete any unfinished areas of the residence whether or not the cost of completing construction is being financed by the Lender's mortgage. Provide a contractor's estimate or an appraiser's comments to support this amount.
- Purchase Price of Land, if New Construction, and if land was purchased within the last two (2) years immediately preceding the loan application date.
- Do not include the value of land that was gifted or land purchased more than two (2) years ago.
- If financed land and the original loan term exceeds two (2) years, do not include. The IRS considers payoff of a loan with a term greater than two (2) years as a refinance. [In this case, Purchaser(s) would be required to pay off and satisfy land loans as of the closing date of the mortgage loan.] The value of the land would not be included in the Purchase Price/Acquisition Cost Limits in this instance.
- Line 4: Cost of fixtures such as lights and wall-to-wall carpeting not included on Lines 1, 2, or 3 above.
- Line 5: Any amounts paid by Purchaser(s) on behalf of the property seller such as property taxes, settlement, and financing costs that are in excess of the Purchaser(s) usual and customary expenses.
- Line 6: Any personal property such as appliances, not permanently attached to the Eligible Property, and itemized and attributed a value in the sales contract.
- Line 7: Total Acquisition Cost: Add lines 1 through 5 and subtract any amount on line 6.

MCC Program Manual (Continued)

Note: *If the amount on line 7 exceeds the current applicable SONYMA program Purchase Price/Acquisition Cost Limits, at either the time of application or loan closing, the MCC Beneficiary(ies) is not eligible for this program. Also, this amount must equal the figure indicated in Item 2 on the Property Seller's Affidavit.*

d. PART IV - INCOME ELIGIBILITY

Enter on the appropriate lines, in the column entitled "At Loan Application" only, the current gross monthly income of all Household Member(s). Household Member(s) are considered to be any person that will occupy the financed Eligible Property, age 18 or older, regardless of whether they are a MCC Beneficiaries. *The IRS requires SONYMA to use current income for this.*

SONYMA uses the following guidelines/calculations to determine if MCC Beneficiary(ies) meet income limit eligibility requirements. Not all sources of income are listed in the text of this list; the sources referred to are the ones most commonly submitted by SONYMA MCC Beneficiary(ies).

1. **Basic Income Calculation:** Obtain year-to-date (YTD) gross income from current paystub. If MCC Beneficiary(ies)] does not receive computer-generated paystubs, Lender may obtain a Verification of Employment (VOE)]. Deductions for pre-tax income (e.g., 401k, 457b contributions, health benefits, etc.) are **not** allowed. Divide YTD income by number of weeks and/or pay periods elapsed in the current year and multiply by 52 weeks and/or 24/26 pay periods, respectively, to obtain annual income.
2. **Overtime, Bonuses, and Commissions:** Must be included in the YTD income calculation, as above. If the paystubs from application date to current date do not reflect this type of pay, it may be removed from the YTD income calculation as stated above, but the amount must be added back to the total income. This income may be excluded completely if paystubs from application date to current date do not reflect this type of pay and it can be demonstrated that there is no history (in prior years) of receiving this type of income.
3. **Self-Employed MCC Beneficiary(ies):** Obtain YTD Profit and Loss Statement prepared by a tax preparer on his/her letterhead and the previous year's Federal tax return, with all schedules. Corporate Federal tax returns, Partnership Federal tax returns and K-1's may be required. Adjusted gross income, after business expenses, will be used to calculate annual income. Any disbursements or distributions received will be added to annual income. Divide YTD income by number of months represented and multiply by 12 to obtain annual income. Any major deviations in income from the previous year must be explained in writing. SONYMA will accept a P&L from the MCC Beneficiary(ies) if they prepare their own returns. The P&L must state that these numbers are true and accurate and must be notarized. **Note:** SONYMA will not require a P&L for the first quarter of the new year but will accept the previous year's Federal tax returns to determine the MCC Beneficiary(ies)

MCC Program Manual (Continued)

income for the current year. If the MCC Beneficiary(ies) has not yet filed a Federal tax return for the previous year, then SONYMA will require a P&L for that tax year. Any major deviations in income from the previous year must be explained in writing.

4. **Salary/Job Changes:** If MCC Beneficiary(ies) receives an increase/decrease in pay due to a job change, promotion, or terms of a new employment contract, the new salary will be treated as though it was received the entire year. Obtain employment letter or copy of contract and current paystub or VOE.
5. **Retroactive Pay:** Income received in the current year that was earned in a prior year(s) can be excluded as long as there is no continuous history of receiving this type of income and such income will not reoccur.
6. **Income Earned in Prior Year, Paid in Current Year:** If MCC Beneficiary(ies) YTD income includes pay for time worked in the prior calendar year, such income may be excluded from the YTD income if MCC Beneficiary(ies) can provide evidence of this. For example, if MCC Beneficiary(ies) first paystub of the year includes income earned from December 23 through January 5, the income earned from days worked in December may be excluded from MCC Beneficiary(ies) YTD pay.
7. **Seasonal Income:** If MCC Beneficiary(ies) is working at time of application but anticipates lay off, calculate income as described in Item 1 above. If MCC Beneficiary(ies) provides letter from employer stating that lay off will occur, SONYMA will allow the previous year's unemployment income to be added to YTD income (current year). The total should be annualized and Lender should determine if the total income matches previous year's income and work history.
8. **Non-taxable Income (Social Security or Disability):** Do not gross up income (net check is same as gross check). Income received for a child's benefit must be included if the income is being used for the child's living expenses.
9. **Proposed Rental Income:** Do not include proposed rental income anticipated from the purchase of a 2- to 4-unit property,
10. **Child Support/Alimony Paid by MCC Beneficiary(ies):** Cannot be deducted from income.
11. **Child Support/Alimony Received by MCC Beneficiary(ies):** Must be included in income.

Note: If the MCC Beneficiary(ies) can demonstrate that he/she has not received child support and/or alimony payments for the three months immediately prior to the loan application date and through the current date, this income can be excluded from the compliance income calculation. SONYMA will require the MCC

MCC Program Manual (Continued)

Beneficiary(ies) to submit a minimum of three month's bank statements and a notarized affidavit verifying non-receipt of the payments. In the event a MCC Beneficiary(ies) consistently receives less than the court ordered child support, the total YTD support may be annualized to determine child support for compliance income calculation. SONYMA will require the MCC Beneficiary(ies) to provide evidence of the amount of support received year to date.

12. **Relocation Allowance:** This income may be excluded completely if paystubs from application date to current date do not reflect this type of pay and it can demonstrated that there is no history (in prior years) of receiving this type of income.
13. **Clothing Allowance:** Must be included in income.
14. **Car Allowance:** Must be included in income.
15. **Military Housing and Food Allowance:** Must be included in income.
16. **Unreimbursed Business Expenses for Salaried Employee (Union Dues, Safety Equipment, Business Equipment, etc):** Cannot be deducted. *However*, if an individual receives 1099 income and pays self-employment tax, business deductions are allowed.
17. **Foster Care Income:** Payments received as consideration for foster care duties with respect to children in the MCC Beneficiary(ies) care are not considered income for this purpose and should not be included in the income calculation.
18. **Travel Reimbursement:** This income may be excluded if the MCC Beneficiary(ies) can document via a letter from his/her employer that he/she are being reimbursed for expenses incurred while traveling on company business.

Note: If MCC Beneficiary(ies) household income exceeds the SONYMA Income Limits, at either the time of application or loan closing, the applicant(s) is not eligible for an MCC.

e. PART VI - CERTIFICATION

All MCC Beneficiaries must execute the document on Page 9, in the "Execution at Time of Loan Application" section. This document cannot be signed by a power-of-attorney.

1. Obtain Notary Public signature and affix notary stamp and/or seal; notary must complete the entire section.
2. Ensure that the Notary Public commission has not expired prior to execution of this document.
3. The "Reaffirmation at Title Closing" section must not be executed. Leave this section blank until the closing. Submit the original reaffirmed document in the

MCC Program Manual (Continued)

closed loan file.

4. Recapture Tax Calculation Attachment(s) must be provided to applicant(s) at time of application.

5. Military Veteran(s) Eligibility Affidavit (Form 243/5-09)*, if applicable

MCC Beneficiary(ies) completes this form if he/she is an eligible Military Veteran who is not a first-time homebuyer [includes Veteran's spouse or Veteran's co-borrower(s)]. The form must be accurately completed in its entirety.

Photocopy of form is required (original form is submitted with the post-closing loan file after title closing).

Veteran MCC Beneficiary(ies) to complete the form as follows:

- a. Fill in the top of the form.
- b. Enter Veteran MCC Beneficiary(ies) name and the Eligible Property address being financed.
- c. Must be signed by all Veteran MCC Beneficiary(ies) and notarized.
- d. Attach DD Form 214, Certificate of Release or Discharge from Active Duty

6. Federal Income Tax Returns for Previous Three Years

MCC Beneficiary(ies) must submit signed Federal income tax returns with all schedules for the three years immediately preceding the loan application date. The returns are required by the IRS to determine eligibility under SONYMA's first-time homebuyer requirement and to establish that the property will be used for residential purposes.

Photocopies of the signed Federal returns and all schedules are required; *state returns are unacceptable and not necessary.*

Submission of tax returns is waived for loan applications where the subject property is located in a Targeted Area or for eligible military veterans.

Lender must review the tax returns to determine if MCC Beneficiary(ies) itemized deductions for real estate taxes and/or Mortgage interest. If so, an original notarized affidavit explaining these deductions must be included in the loan file. SONYMA will review the affidavit to determine the eligibility of the MCC Beneficiary(ies).

Business Use of Property - Lender must also review the tax returns for potential use of the property by the MCC Beneficiary(ies) for business or commercial purposes. If MCC Beneficiary(ies) files Schedule C – Profit or Loss from Business with their most recent Federal tax return and indicates his/her primary residence as his/her business address, Lender must check Line 30 of Schedule C to determine MCC Beneficiary(ies) eligibility. If MCC Beneficiary(ies) did not use his/her primary residence as his/her business address, MCC Beneficiary(ies) remains eligible. If an amount is entered on Line 30 of Schedule C and/or, IRS Form 8829 – Expenses for

MCC Program Manual (Continued)

Business Use of House is filed, it must be attached to the return. MCC Beneficiary(ies) will be eligible for SONYMA financing as long as Line 3 of Form 8829 does not exceed 15%. Please note that SONYMA cannot base this calculation on the square footage of the property being purchased. Notwithstanding this paragraph, SONYMA, at its sole discretion, may deny an MCC loan application if it has reason to believe that more than 15% of the property will be used for a commercial or business use. In addition, the MCC Beneficiary(ies) cannot amend his/her tax returns for the previous year to reflect a percentage less than 15%.

7. Good Faith Estimate

Photocopy of document provided to applicant is acceptable.

Fees should not exceed usual and customary expenses charged by Lender.

8. Computer-Generated Paystubs for Most Recent 30 Days or Equivalent

Photocopies are acceptable.

Documentation must be submitted for each Household Member(s) as defined in the Seller's Guide. Equivalent documentation can be substituted (see item 4(d) above). If a Household Member(s), age 18 or older, has no income, submit a notarized affidavit indicating such. [(if the Household Member(s) is not a Mortgagor, the affidavit must be signed by all Mortgagors].

9. Subsidy Documentation, if applicable

Lender must submit documentation if any down payment subsidies are being utilized in the transaction.

Photocopy of supporting documentation is acceptable.

Information provided should include name of the down payment subsidy provider and subsidy amount. Any funds used for down payment assistance must be inserted on Line 2 of Item c. Part III - Acquisition Cost of the Residence of the Recapture Notification and Mortgagor's Affidavit.

10. Any other documents as SONYMA may reasonably request.

G. SUBMISSION OF THE POST-CLOSING MCC FILE/ISSUANCE OF THE MCC BY SONYMA

Immediately after loan closing, Lender must submit to SONYMA the below original documents (the "Post-Closing Documents"). Each document must contain the same information as the versions approved by SONYMA prior to closing (except any portions required to be reaffirmed at closing), and must be fully executed and properly notarized. Each document must contain the SONYMA Loan Number. Submit each file to:

MCC Program Manual (Continued)

SONYMA
641 Lexington Avenue, 2nd Floor
New York, NY 10022
Attn: MCC Operations Unit

Upon receipt of Post-Closing Documents, SONYMA will review the documents and e-mail a notice of decision to the Lender within three (3) business days of receipt]. Lender will be required to access Lender Online (LOL) to determine the loan status and, if applicable, the documentation necessary to complete our file. If the documents are approved, SONYMA will issue the MCC directly to the Mortgagor with a copy to Lender. The MCC will not be issued until all documentation deficiencies have been cured.

MCC Post-Closing Document Checklist (Form M2/5-09)

Lender uses this form to certify to SONYMA that the loan being submitted is in accordance with SONYMA's post-closing MCC guidelines. Lender also uses this form to determine if all documentation, as required by SONYMA, is completed and submitted in the appropriate format. The checklist, if used properly, will greatly reduce the possibility of SONYMA rejecting or suspending the file.

Original or photocopy of the form is acceptable.

Lender to complete the form as follows:

- a. On page 1, enter the SONYMA Loan Number, Loan Amount, Lender Name, Borrower Name(s), and Property Address.
- b. Place an "X" by each item that is applicable to the loan file being submitted.
- c. Lender to sign certification on last page. Indicate the contact person's name and title, telephone number, date, and e-mail address on the form.

Note: The Contact Person should be the individual who is most familiar with the MCC post-closing loan file. Questions from SONYMA will be directed to this person.

1. Recapture Notification and Mortgagor's Affidavit (SONYMA Form 211/5-09)*

Mortgagor(s) reaffirms this form which was completed at loan application and is required for IRS compliance purposes. *No revisions to the form are permitted.*

The original reaffirmed document and a photocopy are required.

Mortgagor(s) to complete the following sections at title closing:

- a. Part IV: Income Eligibility section entitled "At Loan Closing" must be completed and the income specified must be within SONYMA's Income Limits in effect as of the loan reservation date.
- b. Document must be dated as of the closing date and reaffirmed (executed) by all

MCC Program Manual (Continued)

Mortgagor(s). A Power of Attorney **cannot** execute this form on Mortgagor(s) behalf.

Note: If, at time of closing, Mortgagor(s) household income exceeds the applicable SONYMA Program Income Limits (based on limits in effect at the time the loan was reserved), the Mortgagor(s) **will not** be eligible for the Mortgage Loan and LENDER SHOULD NOT CLOSE THE LOAN.

2. Property Seller's Affidavit (SONYMA Form 210/5-09)*

Property seller(s) completes this form which is required for IRS compliance purposes. The form must be completed accurately in its entirety. *No revisions to the form are permitted.* The document may be signed by a POA and a copy of the POA (recorded or unrecorded document is acceptable) must be submitted with the file. **(This document must always be duly notarized.)**

The original document and a photocopy are required.

The amount indicated on item 2 of this document must equal the figure indicated on line 7 of Part III on the Recapture Notification and Mortgagor(s) Affidavit (Form 211).

Form is waived in the following cases:

- a. For New Construction, if the owner of the land and the builder are different individuals or entities.
- b. Foreclosed properties being sold by a foreclosing lender/investor.

Be advised that the Notary Public's commission must be in effect as of the date of execution.

3. Military Veteran(s) Eligibility Affidavit (Form 243/5-09)*, if applicable

MCC Beneficiary(ies) completes this form if applicable, as stated above.

The original document and a photocopy is required.

H. LENDER REPORT TO IRS OF MCCs ISSUED

Lenders who make mortgages to an MCC Recipient who has been issued an MCC must submit a report to the IRS (with a copy to SONYMA) by no later than January 31 of the year following the close of the prior calendar year. The report is to be filed on [IRS Form 8329 – Lender's Information Return for Mortgage Credit Certificates](#) and must include all MCCs issued to Mortgagors during the appropriate tax year. The form must be filed in accordance with the instructions on page 2 of Form 8329. SONYMA can assist Lenders with completing this form if necessary.

According to IRS regulations, Lenders must retain records of the following information for a period of six years following the year in which the loan was closed:

1. The name, address, and EIN of Lender;
2. The name, address, and EIN of the certificate issuer (SONYMA);

MCC Program Manual (Continued)

3. The name, address, and SSN of each holder of an MCC (borrower) with respect to which the loan was made; and
4. The date the loan was closed, the loan amount, and the certificate credit rate (20% or as modified by SONYMA).

[Current versions of all SONYMA Documents may be downloaded from our website (www.nyhomes.org/home/index.asp?page=110)]

***Document may not be computer and/or third-party generated unless Lender executes the Computer Produced and/or Third-Party Printed Documents Indemnification Form (Form 239/10-03).**

**STATE OF NEW YORK MORTGAGE AGENCY
("SONYMA")**

**MORTGAGE CREDIT CERTIFICATE
PARTICIPATION AGREEMENT**

Lender

Address

MORTGAGE CREDIT CERTIFICATE PARTICIPATION AGREEMENT

THIS AGREEMENT between the State of New York Mortgage Agency, 641 Lexington Avenue, New York, New York 10022 (hereinafter referred to as “SONYMA” or the “Agency”) and the institution designated as “Lender” on the cover page of this Agreement.

RECITALS

WHEREAS, the Tax Reform Act of 1984 gives states the right to issue MCCs as a means of assisting qualified individuals with the acquisition of new and existing single family housing;

WHEREAS, pursuant to Section 146 of the Code, SONYMA received an allocation to issue single family mortgage revenue bonds to provide financing for Eligible Properties to persons of low and moderate income and under the Act, SONYMA is empowered to issue and administer MCCs in accordance with the Code;

WHEREAS, in furtherance of the purposes of the Act, SONYMA has determined to issue MCCs to assist persons of low and moderate income to afford the costs of acquiring and owning decent, safe and sanitary housing within the State and in connection therewith, has made a revocable election under Section 25 of the Code to exchange its bond authority for the authority to issue MCCs to qualified persons; and

WHEREAS, the Lender wishes to receive, process and submit MCCs to SONYMA in connection with mortgage loans the Lender will make available for the acquisition of new and existing housing located within the State.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, SONYMA and Lender agree as follows:

WITNESSETH:

In consideration of the warranties, representations and mutual agreements herein set forth, SONYMA and Lender hereby agree as follows:

1. **DEFINITIONS.** The following terms shall, for all purposes of this Agreement, have the following meanings:
 - (a) **Act.** The State of New York Mortgage Agency Act, Chapter 612 of the Laws of New York, 1970, as amended, being Title 17 of Article 8 of the Public Authorities Law of the State.
 - (b) **Agreement.** This Mortgage Credit Certificate Participation Agreement by and between the Lender and SONYMA.
 - (c) **Closing Date.** The date which any MCC Mortgage Loan closes.
 - (d) **Code.** The Internal Revenue Code of 1986.

- (e) **Eligible Property.** A building located in the State which is (i) an existing Single Family Dwelling, Two Family Dwelling, or Multiple Unit Dwelling (three or four unit dwelling) or (ii) newly constructed Single Family Dwelling or Two Family Dwelling (located in a Targeted Area) which has never been occupied as a residence, including the land appurtenant thereto or condominium interest or cooperative interest therein, to be used as the principal residence of the owner of such building. A building, condominium unit or cooperative unit shall not qualify as an Eligible Property if any portion is used or intended for non-residential purposes or as a vacation home.
- (f) **MCC.** Mortgage Credit Certificate issued by SONYMA that allows the Mortgagor to convert a specific percentage of its annual mortgage interest payments as a tax credit against its federal personal income tax. The percentage to be converted will be determined by SONYMA.
- (g) **MCC Application Documents.** Those documents listed on the SONYMA MCC Application File Checklist (Form M1), including the Recapture Notification and Mortgagor's Affidavit, the Property Seller's Affidavit, and the Military Veterans Eligibility Affidavit (if applicable) and all and any other documents or information required for the application and issuance of an MCC, as directed by SONYMA which are received from the Mortgagor and processed by the Lender for submission to SONYMA.
- (h) **MCC Post-Closing Documents.** All original and fully executed MCC Application Documents submitted by Lender to SONYMA after the Closing Date that are required for compliance with the Code.
- (i) **MCC Issuance Date.** The date that SONYMA issues the MCC to the Mortgagor, which will occur after the Closing Date and within five (5) business days of SONYMA's receipt and acceptance of the original MCC Post-Closing Documents.
- (j) **MCC Fee.** Fee to be charged by SONYMA to the Mortgagor for processing and delivering the MCC. Lender will be responsible for remitting the MCC Fee to SONYMA.
- (k) **MCC Mortgage Loan.** A first lien, fixed interest rate loan made by the Lender to a Mortgagor who also qualifies for and has been issued an MCC.
- (l) **Mortgagor.** The person or persons, each of whom shall be natural persons, who execute the mortgage instrument securing an MCC Mortgage Loan. The term "Mortgagor" shall also include persons who have assumed the obligations of a Mortgagor, who shall also be natural persons.
- (m) **Multiple Unit Dwelling.** An owner-occupied dwelling containing two or three rental units, which was first occupied as a residence at least five (5) years prior to the Closing Date.
- (n) **Program Manual.** The manual, which may be periodically amended, that sets forth the requirements for delivering Mortgage applications for an MCC.
- (o) **Single Family Dwelling.** A building designed for use by one family, which includes a condominium unit, cooperative unit or factory-made housing which is permanently affixed to real

property.

- (p) **State.** State of New York.
- (q) **Targeted Area.** Areas identified by SONYMA in accordance with the Internal Revenue Code of 1986, as amended, and the regulations there under, and included as part of the Lender's Guide.
- (r) **Two Family Dwelling.** An owner-occupied dwelling containing one rental unit which is: (i) located in a Targeted Area, or (ii) located in a non-Targeted Area and first occupied as a residence at least five (5) years prior to the Closing Date.

2. LENDER'S DUTIES AND RESPONSIBILITIES.

- (a) Lender, as SONYMA's non-exclusive agent, will be responsible for receipt, processing and submission of MCC Application Documents. Lender shall deliver the MCC Application Documents to SONYMA prior to the Closing Date. SONYMA will review the MCC Application Documents and advise Lender if the application qualifies for an MCC. Within five (5) business days after the Closing Date, Lender must also submit the MCC Post-Closing Documents to SONYMA. Once SONYMA receives and approves the MCC Post-Closing Documents, SONYMA will issue the MCC directly to the Mortgagor with a copy to Lender.
- (b) Lender agrees to use best efforts to make information available regarding MCCs to all potential Mortgagors who request information about MCCs and to all eligible Mortgagors and shall take such steps as may be reasonable required by SONYMA to promote the availability of MCCs in designated Targeted Areas. Lender will provide each potential borrower with a complete MCC information package (including the MCC Application Documents) at the time of applying for an MCC. Lender will timely and in good faith review and process the MCC Application Documents for potential borrowers in order to determine their eligibility for an MCC and to efficiently submit the application file to SONYMA for approval.
- (c) Lender agrees to use its best efforts to familiarize its personnel with all relevant terms included in this Agreement, the Program Manual, and any other materials distributed by SONYMA.
- (d) Lender will only accept and process MCC applications for fixed interest rate loans made at interest rates similar to prevalent fixed interest rates offered by conventional lenders for loans with similar terms as of the date the interest rate is locked. High Cost Home Loans as defined under Section 6-L of the New York State Banking Law are ineligible for MCCs.
- (e) Lender agrees to work cooperatively with SONYMA to represent MCCs fairly and accurately to the Mortgagor.
- (f) Lender will conduct such reasonable investigation as is necessary to certify that the Mortgagor has satisfied all requirements of the MCC.
- (g) Lender will submit an application for an MCC only related to a first mortgage loan that satisfies all requirements of the MCC, including those imposed by temporary and permanent regulations issued pursuant to the Code and the MCC eligibility requirements.

- (h) With the exception of the MCC Fee, Lender will charge a potential Mortgagor applying for an MCC only those reasonable lending fees the Lender would charge a potential borrower applying for mortgages not connected with an MCC.
- (i) The Lender will perform all investigation and verification that it would normally perform for underwriting a mortgage not accompanied by an MCC application. The Lender will notify the Mortgagor in writing of any decision (including the decision of SONYMA) to cancel processing for any MCC. Lender will also be responsible for notifying SONYMA of any cancellations, withdrawals or rejections of mortgage applications for which there was a simultaneous pending application for an MCC.
- (j) Broker or third-party originated MCC Mortgage Loans are permissible if Lender has previously executed an agreement with SONYMA to originate mortgage loans under SONYMA's Low Interest Rate Program (the "Broker Agreement"). Only those brokers or third-party originators approved by SONYMA pursuant to the Broker Agreement shall be eligible to originate MCC Mortgage Loans.
- (k) Lender agrees to keep complete files of each MCC Mortgage Loan for six (6) years following origination of the MCC Mortgage Loan or such longer period as prescribed as record retention by the IRS. The Lender hereby agrees that SONYMA and its agents have the authority to examine and inspect all files, books and records in Lender's possession relating to any MCC. The Lender hereby agrees to grant SONYMA and its agents access to such files, books and records during normal business hours upon request.
- (l) Lender agrees to make accurate and timely annual filings of IRS Form 8329. The Lender accepts full responsibility for these requirements irrespective of if and when the MCC Mortgage Loan is sold to another party.
- (m) Lender has no knowledge of any improvement on the real property covered by an MCC Mortgage Loan in violation of any laws or regulations affecting the premises including, without limitation, applicable building, zoning and environmental protection laws or regulations.
- (n) Lender agrees that it will make a prompt effort to forward to SONYMA any information it receives during the life of the MCC Mortgage Loan, whether or not the MCC Mortgage Loan is sold to another party that tends to indicate that misrepresentation was made or misinformation provided in connection with the MCC Application Documents or MCC Post-Closing Documents. The Lender further agrees to make a prompt effort to forward to SONYMA any information that may affect the MCC recipient's continued eligibility for an MCC.
- (o) The Lender agrees to inform SONYMA immediately of any changes to the information on the MCC application, especially those changes relating to MCC contact persons and their replacements.

3. ***CONDITIONS TO ISSUANCE OF MCC BY SONYMA.*** SONYMA shall be obligated to issue an MCC for any MCC Mortgage Loan originated within the State by Lender under this Agreement only if, with respect to such MCC Mortgage Loan, the following conditions have been met as of the following dates:

(a) As of the Closing Date:

- (1) Each MCC Mortgage Loan is lawful under all applicable local, state and federal rules and regulations which govern the affairs of Lender and the Mortgagor, including without limitation all applicable real estate settlement procedures, truth-in-lending and antidiscrimination laws.
- (2) Each MCC Mortgage Loan is made to an individual Mortgagor or Mortgagors.
- (3) The original principal amount of the MCC Mortgage Loan and the interest rate thereon have been accurately stated to SONYMA.
- (4) The MCC Mortgage Loan constitutes a valid first lien on the real property described to SONYMA, or with respect to a cooperative unit, the MCC Mortgage Loan must be secured by a lien upon the related shares of stock in the cooperative corporation and the proprietary lease related to the financed premises.
- (5) The note evidencing the MCC Mortgage Loan is a legal, valid and binding obligation of the maker thereof and is enforceable in accordance with its terms.
- (6) To the best of Lender's knowledge, each representation and warranty set forth in the MCC Application Documents shall be true and correct.

(b) As of the MCC Issuance Date:

- (1) Lender has delivered to SONYMA the MCC Post-Closing Documents, the Recapture Notification and Mortgagor's Affidavit (Form 211) has been reaffirmed by all Mortgagors as of the Closing Date and the household income, as completed by the Mortgagor(s) is within the applicable SONYMA income limit.
- (2) To the best of Lender's knowledge, each representation and warranty set forth in the MCC Post-Closing Documents shall be true, complete and correct.

4. LENDER COVENANTS AND WARRANTIES. Lender covenants, represents and warrants that:

- (a) This Agreement is a valid and binding agreement of Lender, enforceable according to its terms, except as limited by applicable bankruptcy, insolvency, reorganization, or other laws related to creditors' rights generally, the making and performance of which has been duly authorized by all necessary corporate and other action, and does not and will not constitute a violation of any law, any requirement imposed by any judicial or arbitral body of governmental instrumentality, or the charter or by-laws of Lender, or a default under any agreement or instrument by which it is bound or affected.
- (b) Neither the making nor performance of this Agreement by Lender requires the consent or approval of any governmental instrumentality or, if such consent or approval is required, it has been

obtained.

- (c) In the performance of the Agreement, Lender will not discriminate or permit discrimination against any person or group of persons on the grounds of age, sex, race, color, marital status, religion, location of residence or national origin in any manner prohibited by the laws of the United States or the laws of the State.
- (d) The Lender agrees to the following confidentiality and privacy provisions:
 - (1) The Lender shall comply with applicable consumer privacy laws (any and all federal, state and local statutes, regulations and rules applicable to the protection and privacy of consumer information, including but not limited to the privacy provisions of the Gramm-Leach-Bliley Act, 15 U.S.C. Section 6801 et seq.) and to implement appropriate measures designed to safeguard customer information.
 - (2) The Lender affirms and acknowledges its obligation to maintain the confidentiality of the information governed by consumer privacy laws.
 - (3) The Lender agrees that the confidentiality conditions contained in this Agreement are material terms of the Agreement and that SONYMA will have the right to terminate the Agreement effective immediately in the event of any breach of consumer privacy.
- (e) No information, certificate of an officer, statement furnished in writing, or report required hereunder, delivered by Lender to SONYMA will, to the knowledge of the Lender, contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading.

5. *INVOLUNTARY TERMINATION OF A LENDER.* SONYMA may terminate this Agreement with respect to any Lender upon the happening of any one or more of the following events:

- (a) Any representation or warranty of the Lender to SONYMA shall be false in any material respect.
- (b) Failure of the Lender in any material respect to duly observe or perform any other covenant, condition or agreement in this Agreement, or in any subsequent written notice or announcement made by SONYMA with regard to MCCs, to be observed or performed by such Lender for a period of thirty (30) days after a written notice to such Lender from SONYMA specifying such failure and requesting that it be remedied; provided, however, if the failure stated in the notice is correctable in SONYMA's opinion but cannot be corrected within the applicable period, SONYMA shall consent to a reasonable extension of the time if corrective action is instituted by the Lender within the applicable period and diligently pursued until fully corrected.
- (c) Decree or order of a court, agency or supervisory authority having jurisdiction in the premises appointing a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceeding affecting the Lender or substantially all of its properties, or for the winding-up or liquidation of its affairs, if such decree or order shall have remained in force, undischarged or unstayed for a period of thirty (30) days.

- (d) Consent by the Lender to the appointment of a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceeding affecting the Lender or substantially all of its properties.
- (e) Admission in writing by the Lender of its inability to pay debts generally as they mature, or the filing of a petition to take advantage of any applicable bankruptcy or insolvency statute, or the making of an assignment for the benefit of creditors.
- (f) Failure by the Lender, in the opinion of SONYMA, to meet required lender eligibility and/or annual financial requirements as set forth in the Program Manual.

If any of the events specified in (c), (d) or (e) shall occur, the Lender shall give written notice of such occurrence to SONYMA within two (2) days of the occurrence of such event.

6. DAMAGES. Lender shall be liable to SONYMA for any damages, including, without limitation, costs and attorney's fees, suffered by SONYMA by reason of the untruth of any representation or the breach of any covenant or warranty made by Lender herein or in connection with the transaction hereby contemplated.

7. MISCELLANEOUS.

- (a) SONYMA, through its employees or agents or those of the New York State Department of Banking, shall have the right, at any time and from time to time, during normal business hours, to examine and audit any and all of Lender's records or accounts pertaining to any MCC processed by Lender pursuant to this Agreement.
- (b) Lender agrees that SONYMA shall have the right to amend this Agreement and/or the Program Manual from time to time by mailing or e-mailing the Lender notices or letters, such amendments to be effective upon the date specified in such notice or letter.
- (c) Except as provided in subsection (b), the provisions of this Agreement cannot be waived or modified unless such waiver or modification is in writing and signed by both parties.
- (d) All agreements, representations and warranties contained herein or made in writing by or on behalf of Lender in connection with the transaction contemplated hereby shall be true and correct when made and upon the MCC Issuance Date and shall survive the execution and delivery of this Agreement, the termination of this Agreement, the issuance of any MCC by SONYMA and any investigation at any time made by SONYMA or on behalf of SONYMA.
- (e) Invalidation of any one of the provisions of this Agreement, by judgment or court order shall in no way affect any other provisions herein contained, which provisions shall remain in full force and effect.
- (f) This Agreement shall be effective only if on or prior to the date of execution hereof by SONYMA.

- (g) This Agreement shall be governed by the laws of the State.
- (h) Lender hereby consents to the jurisdiction of the Supreme Court of the State of New York for any proceeding in connection with this Agreement.
- (i) This Agreement shall not be assignable by the Lender without the written consent of SONYMA and in the event of any attempted assignment thereof without such written consent, SONYMA may, at its option, terminate this Agreement as to its obligation to make any further purchases of MCC Mortgage Loans from Lender. The Lender shall have no right to resign from the obligations and duties hereby imposed upon it without the prior written consent of SONYMA.
- (j) This Agreement and all obligations and rights arising hereunder shall bind and inure to the benefit of SONYMA and Lender and their respective successors in interest and permitted assigns.
- (k) The captions contained in this Agreement are intended for convenience and reference purposes only and shall in no way be deemed to define, limit or describe the scope or intent of this Agreement or any provision thereof, nor in any way affect this Agreement.
- (l) This Agreement may be executed in one or more counterparts, each of which shall be an original but such counterparts shall together constitute but one and the same agreement.

8. NO REMEDY EXCLUSIVE. Unless otherwise expressly provided, no remedy herein conferred upon or reserved to any party is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under this Agreement or existing at law or in equity. No delay or omission to exercise any right or power accruing under this Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

9. NOTICE. Whenever it is provided in this Agreement that notice or other communication is to be given or directed to either party, notice to the Lender shall be directed to its address as it appears in the cover page of this Agreement, and notice to SONYMA shall be directed to: Vice President for Single Family Programs, State of New York Mortgage Agency, 641 Lexington Avenue, New York, N.Y. 10022, or notice shall be directed to such other addresses as either party may from time to time designate in writing to the other. Any notice shall be deemed to have been sufficiently given for all purposes of this Agreement if it is addressed as set forth above and delivered by hand or sent by registered mail, first-class postage prepaid, return receipt requested.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date hereof.

STATE OF NEW YORK MORTGAGE AGENCY

BY _____

(Printed Name)

DATE _____

TITLE _____

(Lender)

BY _____

(Printed Name)

DATE _____

TITLE _____

STATE OF NEW YORK MORTGAGE AGENCY
(A MUNICIPAL CORPORATION AND POLITICAL SUBDIVISION OF NEW YORK STATE)
RECAPTURE NOTIFICATION AND MORTGAGOR'S AFFIDAVIT
(TO BE COMPLETED AND EXECUTED BY ALL PURCHASERS AND
GUARANTORS AT LOAN APPLICATION AND AGAIN AT TITLE CLOSING)

IT MAY BE A FEDERAL OFFENSE PUNISHABLE BY A MAXIMUM OF A \$5,000 FINE, TWO YEARS IMPRISONMENT, OR BOTH, TO KNOWINGLY MAKE A FALSE STATEMENT IN THIS AFFIDAVIT (TITLE 18 UNITED STATES CODE, SECTION 1014). IF (I/WE), THE BELOW MORTGAGOR(S), ARE MAKING AN APPLICATION FOR A MORTGAGE CREDIT CERTIFICATE, THE PENALTY FOR MAKING A FRAUDULENT STATEMENT IS (1) REVOCATION OF THE MORTGAGE CREDIT CERTIFICATE AND (2) A \$10,000 PENALTY PURSUANT TO 26 U.S.C.S. SECTION 6709. READ THIS AFFIDAVIT CAREFULLY TO BE SURE THE INFORMATION IN IT IS TRUE AND COMPLETE BEFORE SIGNING THIS FORM. PLEASE BE ADVISED THAT THE STATE OF NEW YORK MORTGAGE AGENCY HAS A POLICY OF INDEPENDENTLY VERIFYING THE INFORMATION YOU PROVIDE.

SONYMA # _____

Mortgage Lender Name: _____

Mortgagor(s) or MCC Beneficiary(ies): _____

Property Seller(s): _____

Total persons expecting to occupy the Residence (including children): _____

PART I - RECAPTURE NOTIFICATION

A home purchase financed with a mortgage loan (the "Mortgage Loan") made available by the State of New York Mortgage Agency (the "Agency" or "SONYMA") is generally made at an interest rate below what is usually charged in the marketplace. Alternatively, a home purchase assisted by a Mortgage Credit Certificate ("MCC") enables a Mortgagor to convert a portion of their home mortgage interest deduction into a Federal tax credit. Whether the Mortgagor receives a Mortgage Loan or an MCC from SONYMA, the Internal Revenue Code of 1986, as amended (the "Code") requires a payment to the Federal government of certain gain (I/we) realize on the sale or transfer of (my/our) home. This gain which must be paid, called the "recapture amount," is due in connection with (my/our) Federal income tax return for the year the house is sold. This provision applies to any disposition of (my/our) home within nine (9) years of the date (I/we) acquire it with certain limited exceptions. The recapture amount will (i) increase during the first five years of ownership with full "recapture" occurring if (I/we) sell (my/our) house at the end of the fifth year following the date of the Mortgage Loan or the issuance date of the MCC and (ii) decrease ratably to zero with respect to a sale occurring in years six through nine. The recapture amount may not exceed the LESSER of (i) 50 percent of the gain (I/we) realize by the sale of (my/our) home or (ii) 6.25 percent of (my/our) original loan amount. (I/We) will not have to pay part or all of the recapture if (my/our) income, at the time of the sale of (my/our) home is less than a prescribed amount. NEVERTHELESS, THE CODE REQUIRES THAT (I/WE) FILE FORM 8828 (OR A SUCCESSOR) TITLED "RECAPTURE OF FEDERAL MORTGAGE SUBSIDY" WHEN (I/WE) SELL OR TRANSFER TITLE EVEN IF I/WE REALIZED NO GAIN ON THE SALE OR TRANSFER OR IF MY/OUR INCOME IS LESS THAN THE PRESCRIBED AMOUNT. The information (I/we) will need to compute the recapture amount will be provided to (me/us) at the time (my/our) Mortgage Loan is made or (my/our) MCC is issued.

For additional information, please consult the following attachments to this Recapture Notification and Mortgagor's Affidavit. YOU SHOULD MAINTAIN THIS INFORMATION FOR YOUR RECORDS.

Attachment 1 - Determining Your Recapture Tax

Attachment 2 - Example of How to Compute the Recapture Amount

Attachment 3 - Sample Table

Attachment 4 - Recapture Worksheet



PART II - GENERAL INFORMATION

I, _____ and _____ as Purchaser(s) or Mortgagor(s) of a residence (the "Residence") am/are applying for **(Check One)**:

____(A) a **Mortgage Loan**, OR

____(B) an **MCC**,

either of which will be provided by the Agency. As such, (I/we) do hereby represent and warrant as follows:

1. The information in the Mortgage Loan or MCC application is true, accurate and complete.

2. The Residence is located within the State of New York and is a **(Check One)**:

____(A) Existing one dwelling unit residence (including condominium or cooperative units, and manufactured homes permanently affixed to real property).

____(B) Newly constructed one dwelling unit residence (including new condominium or cooperative units, and manufactured homes permanently affixed to real property) completed as of the Mortgage Loan closing date or MCC issuance date to the extent that occupancy is permitted under local law.

____(C) 1) Newly constructed or existing two dwelling unit residence (i) located in a target area, (ii) completed as of the Mortgage Loan closing date or MCC issuance date to the extent occupancy is permitted under local law, and (iii) one unit of which will be used by (me/us) as (my/our) principal residence.

OR

2) Existing two dwelling unit residence not located in a target area where at least one unit has been occupied as a residence for at least the five years immediately preceding the date hereof, provided, that any unit may have been vacant during such period if the unit was, to the best of (my/our) knowledge, from the time previously occupied as a residence, continuously held out for residential use and not occupied for any portion of such period in connection with a commercial or business use.

____(D) Existing (3, 4) **(Circle number of units)** dwelling unit residence where at least one unit has been occupied as a residence for at least the five years immediately preceding the date hereof, provided, that any unit may have been vacant during such period if the unit was, to the best of (my/our) knowledge, from the time previously occupied as a residence, continuously held out for residential use and not occupied for any portion of such period in connection with a commercial or business use.

For purposes of the above, the term "existing residence" means units or dwellings which have been previously occupied or used, as a residence, and the term "newly constructed residence" means units or dwellings which have not been previously occupied or used as a residence.

2a. If (C) or (D) is checked, (I/we) have no present intention of increasing the number of units in the Residence beyond four dwelling units.

3. (I/We) intend to occupy the Residence as (my/our) principal and permanent place of residence within 60 days after the closing of the Mortgage Loan or the issuance of the MCC, and thereafter, will not use the Residence as a recreational or seasonal residence. If (I/we) (am/are) an MCC Beneficiary, (I/we) must immediately notify SONYMA, in writing, at 641 Lexington Avenue, New York, New York 10022, if the Residence is no longer (my/our) principal residence. If (I/we) (am/are) an MCC Beneficiary, (I/we) understand that revocation of an MCC occurs

when the Residence ceases to be my/our principal residence and no MCC Beneficiary will be permitted to take the Federal tax credit. If (I/we) am/are the beneficiary of a Mortgage Loan, (I/we) understand that if for a continuous period of one year or more, the Residence is not the principal residence of at least *one* Mortgagor, no Mortgagor will be permitted to take a deduction for his/her interest expense with respect to the Mortgage Loan in determining (his/her) Federal income tax liability. Under the terms of the Technical and Miscellaneous Revenue Act of 1988 (I/we) may be permitted to take a deduction for interest expense with respect to the Mortgage Loan, in determining (my/our) Federal income tax liability which accrues on and after the date such Residence is again the principal residence of at least one of us. (I/We) understand that the United States Treasury Department (the "Treasury") is authorized to waive such penalty in certain instances where the application of the penalty would result in undue hardship and the failure to meet the principal residence requirement resulted from circumstances beyond the Mortgagor's control. (I/We) understand that seeking such a waiver from the Treasury is (my/our) sole responsibility, that the Agency will not provide any assistance to (me/us) in seeking such a waiver, and that (I/we) should consider consulting (my/our) own attorneys when considering seeking such a waiver.

4. Other than as described in this Recapture Notification and Mortgagor's Affidavit, (I/we) have no present intent, understanding or agreement (i.e. other than a mere expectation or possibility) to lease, sell, assign or transfer any interest in the Residence to another party and have not entered into any agreement, understanding or other arrangement to lease, sell, assign or transfer the Residence.

5. (I/We), for the entire term of the Mortgage Loan or MCC, (i) will not use, nor will any other person use, other than in connection with the rental of (1, 2 or 3) unit (or units) (**circle number of rental units**), more than 15 percent of the Residence for business or income producing purposes [as determined on Line 3 of IRS Form 8829 (or a successor form) of my Federal tax return(s), or other documents as requested by SONYMA] or permit the Residence to be occupied by more families than is allowed under the applicable certificate of occupancy or its equivalent, (ii) will not subdivide or attempt to subdivide the land containing the Residence and encumbered by the Mortgage Loan or assisted by the MCC, and (iii) will not construct another dwelling on the land containing the Residence that could be used as another residence.

6. (I/We) will not, nor will anyone else, use the Residence as investment property and will not receive any income from the Residence or the land with the exception of rental income incidental to a two-to-four unit residence.

7. All of the land being purchased with the Residence reasonably maintains the basic livability of the Residence and will not have more land appurtenant to it than as follows:

(A) If the Residence is located in an area where local zoning exists, the maximum amount of land is 5 acres. If the property contains more than 5 acres, (I/we) will provide SONYMA with a letter from the appropriate local municipal authority stating that the Residence is not subdividable and/or any additional lots are not buildable. If the property is more than 5 acres, is subdividable, and/or any of the additional lots are buildable, (I/we) understand that prior to my/our Mortgage Loan closing or date of issuance of the MCC, the additional lot(s) or land must be subdivided and that SONYMA will not finance any portion of the additional lot(s) or land not containing the dwelling.

(B) If the Residence is located in a rural area where local zoning does not exist, the maximum amount of land is 5 acres. If the Residence contains more than 5 acres, but not more than 10 acres, (I/we) will provide SONYMA with a letter from the local municipal authority stating that the Residence can only be used for residential purposes and not for business, commercial or agricultural uses. If the municipality cannot or will not provide such a letter, (I/we) understand that prior to (my/our) Mortgage Loan closing or date of issuance of the MCC, the Residence must be subdivided or parceled so that SONYMA's Mortgage Loan will only encumber the parcel containing the dwelling and no more than 5 acres of land.

No map which subdivides such land has been recorded and (I/we) have no intention of seeking any variance from applicable zoning, minimum lot size or set-back requirements for such purposes.

8. (I/We) will not use any part of the Mortgage Loan (or in the case of an MCC, the mortgage loan) proceeds to acquire or replace an existing loan, except a construction loan, bridge loan, or similar temporary initial financing with an initial term not exceeding 24 months.

9. Please check either (A) or (B) below:

____ (A) (I/We) have not had a present ownership interest in a principal residence, including a manufactured home permanently affixed to the land, at any time during the three-year period immediately prior to the closing of the Mortgage Loan or the issuance of the MCC.

OR

____ (B1) (I/We) have had a present ownership interest in a principal residence, including a manufactured home permanently affixed to the land, at any time during the three-year period immediately prior to the closing of the Mortgage Loan or the issuance of the MCC, however the Residence which (I/we) (am/are) attempting to purchase is located in a target area.

OR

____ (B2) At least one of the undersigned is a United States military veteran providing an executed Military Veteran's Eligibility Affidavit (SONYMA Form 243).

(I/we) understand that "present ownership interest" includes the following types of interest: a fee simple interest; a joint tenancy; a tenancy in common or tenancy by the entirety; the interest of a tenant-stockholder in a cooperative; a life estate; a land contract; or an interest in a trust established by (myself/ourself) or some other person.

(I/We) further understand that a "present ownership interest" is not created by: a remainder interest; an ordinary lease, with or without an option to purchase; or a mere expectancy to inherit an interest in a principal residence; or the interest that a purchaser of a residence acquires on the execution of a purchase contract; or an interest in other than a principal residence during the previous three years, such as a vacation home, vacant land, commercial or industrial property; or prior ownership in the Residence.

The following Section 9(C) is to be completed only if the Mortgagor(s) is purchasing a Residence in a Non Target Area:

(C) Following is a list of all the residences in which (I/we) have lived during the **three-year period immediately prior to the closing of the Mortgage Loan** or the issuance of the MCC and the names and addresses of the owners thereof:

M/C*	Address of Residence	Dates Purchasers Resided There	Names and Addresses of Owners of Residence
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

M/C*	Address of Residence	Dates Purchasers Resided There	Names and Addresses of Owners of Residence
_____	_____	_____	_____
_____	_____	_____	_____

*M = Mortgagor C= Co-Mortgagor

[Select all appropriate responses.]

_____ Attached hereto are true, correct, and complete copies of (my/our) signed Federal income tax returns Form 1040 and all Schedules for one or more of the last three years as filed by mail or electronically with the Internal Revenue Service (“IRS”); or

_____ (I/We) filed Form 1040A or 1040 EZ for one or more of the last three years and have either attached hereto a copy of such form that was filed with the IRS or a statement by the IRS that such form was filed; or

_____ (I/We) filed Federal income tax returns via Telefile. The returns were filed on _____ [enter date(s) filed] in the IRS located at _____ [enter IRS office location(s)]. (My/our) Federal income tax returns that were filed via Telefile did not contain any deductions for home mortgage interest and/or real estate taxes.

_____ (I/We) hereby affirm that (I/we) did not file Federal income tax returns for the below years because such filing was not required under Federal law (fill in appropriate names and years):

<u>M/C*</u>	<u>Name(s)</u>	<u>Year(s)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

*M = Mortgagor C= Co-Mortgagor

10. (I/We) understand that as matter of Federal tax law the Mortgage Loan cannot be assumed unless all of the relevant restrictions of the Code are met. In addition, the Mortgage Loan cannot be assumed without the prior written consent of the Agency. If (I/we) (am/are) applying for an MCC, (I/we) understand and agree that the certificate is not transferable.

11. If (I/we) (am/are) applying for an MCC, no portion of the mortgage loan financing was obtained from the proceeds of a qualified mortgage bond, through SONYMA (since SONYMA is the only New York State entity that could provide such financing).

12. If (I/we) (am/are) applying for an MCC, (I/we) were able to select a Mortgage Lender of (my/our) choice. Further, no person related to (me/us) has, and does not expect to have, an interest as a creditor in the mortgage loan financing.

13. (I/We) understand that (my/our) Mortgage Loan or MCC application is subject to the approval of the Agency. If (I/we) (am/are) applying for a Mortgage Loan, (I/we) understand that the Mortgage Loan application is also subject to the approval of the Agency’s pool insurer.

PART III - ACQUISITION COST OF THE RESIDENCE

The acquisition cost of the land and dwelling to be acquired by the Purchaser(s) from the property seller(s) is computed as follows:

1. Amount paid, in cash or in kind, by the Purchaser(s) to or for the benefit of the property seller(s) or a related party to the property seller for the land and dwelling, (excluding usual and reasonable settlement and financing costs) and for completing unfinished portions of the dwelling (See Note below)	\$ _____
(a) For cooperative units, the pro rata portion of the underlying mortgage allocable to the cooperative unit must be added to the cost of the shares of stock	+\$ _____
2. Amount paid, in cash or in kind, by any other person to or for the benefit of the property seller(s) for the land and dwelling, and for completing unfinished portions of the dwelling	+\$ _____
3. Amount paid, in cash or in kind, by the Purchaser(s) to persons other than the property seller for completing the dwelling including any amount paid for the land not owned for at least two years and not included in 1 or 2 above . . .	+\$ _____
4. Amount paid 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 included in 1 or 2 above	+\$ _____
5. Amount paid not included in 1, 2, or 3 above for any purpose by the Purchaser(s) on behalf of the property seller(s) including property taxes in excess of the Purchaser(s) pro rata share and settlement and financing costs in excess of the usual and reasonable costs (See Note below)	+\$ _____
6. The Fair Market Value of amounts, if any, included in 1 or 2 for items which are not fixtures including refrigerator, washer or dryer, etc.	-\$[_____]
7. Total Acquisition Cost	\$ _____

*Note: The acquisition cost of a Residence **does not** include:*

(1) 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.

(2) the imputed value of services performed by the Purchaser or members of his/her family (which include only the Purchaser's brothers and sisters (whether by whole or half blood), spouse, ancestors and lineal descendants) in constructing or completing the Residence, or

(3) the cost of land which has been owned by the Purchaser(s) for at least two years before the date on which the construction of the structure comprising the Residence begins.

(A) The Acquisition Cost of the Residence is set forth in line 7 above. (I/We) hereby certify that a true and correct copy of the purchase contract representing the entire transaction for the purchase of the Residence from the property seller, and all other contracts, agreements and understandings between (me/us) or anyone acting on (my/our) behalf, directly or indirectly, and the property seller or anyone acting on behalf of the property seller, directly or indirectly, or any other person, relating to the purchase of the Residence and any related real or personal property or fixtures, the furnishings of any services or the completion, addition or re-equipping of the Residence has been provided to the Mortgage Lender.

(B) Neither (I/we) nor anyone on (my/our) behalf has made any payment other than the amount indicated in line 7 above, except as stated in line 6 above, to the property seller or to any person on behalf of the property seller, nor have (I/we) canceled any debt of the property seller or any related person to the property seller.

(C) (I/We) have not entered into any agreement with the property seller, the developer, the contractor, or any other person to leave any portion of the Residence unfinished or omit or remove any fixtures or other architectural appointments from the Residence in order to reduce the Acquisition Cost.

(D) (I/We) certify that the information contained in this Part III is true and accurate and complete.

(E) (I/We) understand that if the Acquisition Cost of the Residence exceeds the Agency's current acquisition cost limits, the Agency shall not provide permanent financing for the Mortgage Loan or the MCC.

PART IV - INCOME ELIGIBILITY

(I/We) certify that the information contained in this Part IV is true and accurate and complete. The financial information requested in this Part IV must be provided by the Mortgagor(s) on behalf of all Household Members who expect to occupy the Residence and whose incomes at the time of title closing derives from sources described in A below. For purposes of compliance under the Agency's income limits, "Household Members" include the borrower, borrower's spouse, any person(s) signing the mortgage or note, and any other person who is 18 years or older at time of title closing who is expecting to occupy the Residence.

The information requested below must be provided in order to determine (my/our) eligibility under the income limits established for (my/our) region of the State. These limits have been established principally in response to requirements of the Code. The limits are used solely to determine (my/our) eligibility under the Code's income limit provisions and will not be used for mortgage loan underwriting purposes.

Determination of the current Gross Income for All Household Members (as defined above). At application, Mortgagor must only complete the column entitled "At Loan Application". The column entitled "At Loan Closing" must be completed on the closing date.

<u>A. Sources of Current Monthly Income</u>	<u>At Loan Application</u>	<u>At Loan Closing</u>
1. Gross Pay	\$ _____	\$ _____
2. Overtime, Part-time Pay and Temporary Employment	\$ _____	\$ _____
3. Bonuses, Commissions, and Tips	\$ _____	\$ _____
4. Dividends, Interest, Royalties & Trusts	\$ _____	\$ _____
5. Business Activities or Investments	\$ _____	\$ _____
6. Net Rental Income	\$ _____	\$ _____

	<u>At Loan Application</u>	<u>At Loan Closing</u>
7. Pension/Social Security Benefits	\$ _____	\$ _____
8. Veterans Administration Benefits	\$ _____	\$ _____
9. Unemployment Compensation	\$ _____	\$ _____
10. Sick Pay	\$ _____	\$ _____
11. Public Assistance	\$ _____	\$ _____
12. Alimony, Child Support or Separate Maintenance Income	\$ _____	\$ _____
13. Any Other Income	\$ _____	\$ _____
14. Total Monthly Gross Income	\$ _____	\$ _____
Multiply by 12	_____ x12	_____ x12
<u>B. Total Annualized Gross Income</u>	\$ _____	\$ _____

Note to Mortgagors: If Total Annualized Gross Income for all Household Members is above the applicable limit at EITHER time of loan application or at title closing, the Mortgagor(s) will not be eligible for either a SONYMA Mortgage Loan or an MCC.

PART V - DISCLOSURE STATEMENT

SONYMA requires information concerning personal finances, credit history and employment records from all Mortgage Loan or MCC applicants and co-applicants (collectively, the “Mortgagor”). In addition, SONYMA requires income and asset information regarding all members of the Mortgagor’s household(s). This information is subject to outside verification, and may be reviewed by SONYMA, the Mortgage Lender, SONYMA’s mortgage pool insurance company and the IRS.

In compliance with section 94(1) (d) of the New York State Public Officers Law, all personal information solicited and maintained by SONYMA is used to evaluate the individual’s Mortgage Loan or MCC application or to provide information required by the IRS. Failure by the Mortgagor to submit requested information may result in rejection of the Mortgage Loan or MCC application.

SONYMA maintains records of the information submitted by all Mortgagors and all recipients of MCCs. In addition, SONYMA must report certain personal information regarding Mortgagors and all recipients of MCCs and their household(s) to the IRS. While SONYMA includes certain personal data in compiling general statistics of its mortgage loan or MCC portfolio for its own purposes, no name, number, symbol, mark or other identification is used to identify individual applicants unless personal information is required by law.

Each individual has the right to review personal information maintained by SONYMA, unless exempted by law. The official responsible for maintaining personal information at SONYMA is the Personal Privacy Compliance Officer, who is located in the Agency’s offices at 641 Lexington Avenue, New York, NY 10022 and whose telephone number is (212) 688-4000. All requests to review personal information records should be addressed to the Personal Privacy Compliance Officer.

PART VI - CERTIFICATION

(I/We) have read the Recapture Notification as set forth in Part I hereof, and understand that (I/we) may be required to pay a recapture tax to the United States Treasury as a result of financing (my/our) home purchase with a Mortgage Loan from the Agency or as a result of (my/our) receipt of an MCC from the Agency.

If applying for a MCC, (I/we) are hereby advised to consult with a tax accountant to determine Federal tax consequences as a result of applying for this certificate and must not rely solely on any statements made by the Mortgage Lender or the Agency. (I/we) understand that use of the MCC will reduce my mortgage interest deduction

for Federal tax purposes and that the MCC does not offer any New York State income tax credit.

(I/We) understand that if (I/we) have made any material misstatements in the foregoing representations or have omitted to state any of the information requested this (a) for a Mortgage Loan, will be considered an event of default under the Mortgage Loan and the outstanding principal balance of the Mortgage Loan together with accrued interest, upon direction of the Agency, will become immediately due and payable, and (b) for an MCC, could result in the revocation of the MCC by SONYMA.

EXECUTION AT TIME OF LOAN APPLICATION

Purchaser

Purchaser

Guarantor

ACKNOWLEDGEMENT

STATE OF _____).ss:

COUNTY OF _____)

On the _____ day of _____ in the year _____, before me, the undersigned, a notary public in and for said state, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person on behalf of which the individual(s) acted, executed the instrument.

Notary Public
Commission expires:

REAFFIRMATION AT TITLE CLOSING
(To be completed at Title Closing Only)

(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 _____, _____ (the title closing date).

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

Purchaser

Purchaser

Guarantor

DETERMINING YOUR RECAPTURE TAX

(Note: The following is intended only to familiarize (me/us) with this requirement. (I/We) should obtain the applicable IRS forms and instructions or consult (my/our) tax advisor to actually compute (my/our) recapture tax.)

1. To determine the recapture tax, first multiply (my/our) original loan amount which is \$_____ by 6.25%. This is \$_____ and is the "maximum recapture tax."
2. Next, determine if (I/we) are entitled to a "holding period adjustment." Multiply the appropriate percentage shown in Column 1 (holding period percentage) of Sample Table in Attachment 3, reflecting the year in which (I/we) sold (my/our) home times the dollar amount calculated in (1.) above.

This amount, \$_____, is (my/our) "adjusted recapture tax."

3. Now determine if (I/we) are entitled to a "low-income reduction" or are excluded from paying any recapture tax. Look under column 2 of the Sample Table in Attachment 3 to determine the Adjusted Qualifying Income reflecting (my/our) family size at the time of sale. If (my/our) modified adjusted gross income (adjusted gross income from IRS Form 1040 plus tax-exempt income less the gain realized by the sale of this house) is less than the Adjusted Qualifying Income, (I/we) are excluded from paying any recapture tax. If (my/our) modified adjusted gross income exceeds the Adjusted Qualifying Income by more than \$5,000, (I/we) are not entitled to a "low-income reduction". If (my/our) income is within \$5,000 of the chart amount, the difference between (my/our) income and the chart amount is divided by \$5,000, and the resulting percentage is multiplied by the amount calculated in (2.) above. I/We now have computed the recapture tax. I/We are liable to pay the lesser of this amount or one-half of the gain on the sale of (my/our) home.

Note: The Income Limits in Attachment 3 are hypothetical amounts for illustration purposes only. At or subsequent to closing, (I/we) will be given the actual limits applicable to (me/us).

EXAMPLE OF HOW TO COMPUTE THE RECAPTURE AMOUNT

J, a single individual, purchases a home with a \$55,000 mortgage loan provided by (or in the case of an MCC, issued by) the State of New York Mortgage Agency. At the time of purchase, the applicable income limit for a single person is \$20,000. J marries S, and they have two children, E and M. They sell their home 6 years and 2 months later and realize a gain of \$12,000 on the sale of the home. In the year of sale, J and S's household income (adjusted gross income plus tax-exempt interest but not including any gain on the sale of this house) is \$32,000. Before adjustments, the maximum recapture amount would be \$3,438 ($0.0625 \times \$55,000$).

However, because the home was held more than 5 years, the holding period adjustment reduces the recapture amount to \$2,063 (sale on or after the sixth anniversary of closing, but before the seventh anniversary of closing = 60% holding period percentage). The recapture amount is further reduced because J and S's household income (\$32,000) is \$3,822 less than the income eligibility limit of (\$30,822 plus \$5,000) or \$35,822.

The recapture amount is reduced by the income percentage which is the difference between J and S's household income (\$32,000) and the eligibility limit (\$30,822) divided by \$5,000. (\$32,000 is \$1,178 more than \$30,822 and \$1,178 divided by \$5,000 = 23%. $\$2,063 \times 23\% = \486).

Since J and S realized a \$12,000 gain on the sale of their home, the 50% gain-on-sale limitation did not further reduce the \$486 recapture amount due. If the gain on sale had been \$200 instead of \$12,000, then the recapture amount would have been \$100, which is the lesser of the computed amount of \$486 or 50% of the gain on sale ($\$200 \times 50\% = \100).

This example is modified from the Draft Report prepared by the United States General Accounting Office entitled "Home Ownership, Limiting Mortgage Assistance Provided to Owners with Rapid Income Growth" to reflect changes enacted by the Budget Reconciliation Act of 1990.

If \$20,000 was the applicable income limit for one-person household, \$23,000 would be the applicable 3-or-more person household limit ($\$20,000 \times 115\%$). The \$23,000 amount is increased by 1.05 to the "nth" power, where "n" is the number of full years the home was owned, to \$30,822. ($\$23,000 \times 1.05$ to the 6th power equals $1.34 \times \$23,000 = \$30,822$.)

SAMPLE TABLE

[Note: The incomes provided in Column 2 of this table are merely examples to assist (me/us) in understanding the recapture calculation described in Attachment 2. Actual Income Calculations will be provided at or subsequent to Closing].

<u>Date that (I/we) sell (my/our) home</u>	(Column 1) Holding Period Percentage	(Column 2) <u>Adjusted Qualifying Income</u>	
		Number of Family Members Living in Your Home At The Time of Sale	
		<u>2 or less</u>	<u>3 or more</u>
Before the first anniversary of closing (See note above)	20%	\$20,000	\$23,000
On or after the first anniversary of closing, but before the second anniversary of closing	40%	\$21,000	\$24,150
On or after the second anniversary of closing, but before the third anniversary of closing	60%	\$22,050	\$25,357
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	\$23,152	\$26,625
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	\$24,310	\$27,957
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	\$25,526	\$29,354
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	\$26,802	\$30,822
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	\$28,142	\$32,363
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	\$29,549	\$33,981

RECAPTURE WORKSHEET

- A. Calculate 50% of the gain on sale of the home.
[Gain \$_____ x 50%] = \$_____.
- B. Home was sold or transferred during what year? ____ year
Applicable % (See Attachment 3, Column 1)____%.
- C. Original mortgage loan amount \$_____.
- D. Amount in C. x 6.25% (.0625) = \$_____ (Maximum Recapture Tax possible).
- E. [% shown in B.] x D. = \$_____.
- F. Maximum Federal income limit for (my/our) area, the year sold, and current family size (See Attachment 3, Column 2) = \$_____.
- G. Mortgagor(s)' modified adjusted gross income for year in which house is sold.
- | | |
|--|---------|
| (adjusted gross income on Form 1040, 1040A, or 1040EZ) | \$_____ |
| (tax-exempt income) + | \$_____ |
| (100% of gain on sale on home) - | \$_____ |
| (modified adjusted gross income) = | \$_____ |
- H. If F. is greater than or equal to the result in G., no recapture; stop here.
- I. If G. is greater than or equal to (F. + \$5,000), go to M.
- J. If G. is less than (F. + \$5,000), compute the difference between G. and F. here: \$_____.
- K. The amount in J. divided by \$5,000 = ____%.
- L. K. times E. = \$_____ (adjusted recapture tax). (Go to N.)
- M. The LESSER of (A.) or (E.) is the recapture amount owed
\$_____.
- N. The LESSER of (A.) or (L.) is the recapture amount owed.
\$_____.



**STATE OF NEW YORK MORTGAGE AGENCY
PROPERTY SELLER'S AFFIDAVIT**

IT MAY BE A FEDERAL OFFENSE PUNISHABLE BY A MAXIMUM OF A \$5,000 FINE, TWO YEARS IMPRISONMENT, OR BOTH, TO KNOWINGLY MAKE A FALSE STATEMENT IN THIS AFFIDAVIT (TITLE 18 UNITED STATES CODE, SECTION 1014). IF THE BELOW PURCHASER(S) ARE MAKING AN APPLICATION FOR A MORTGAGE CREDIT CERTIFICATE, THE PENALTY FOR MAKING A FRAUDULENT STATEMENT IS (1) REVOCATION OF THE MORTGAGE CREDIT CERTIFICATE AND (2) A \$10,000 PENALTY PURSUANT TO 26 U.S.C.S. SECTION 6709. READ THIS AFFIDAVIT CAREFULLY TO BE SURE THE INFORMATION IN IT IS TRUE AND COMPLETE BEFORE SIGNING THIS FORM. PLEASE BE ADVISED THAT THE STATE OF NEW YORK MORTGAGE AGENCY HAS A POLICY OF INDEPENDENTLY VERIFYING THE INFORMATION YOU PROVIDE.

Purchaser(s): _____

Residence: _____

(I/We) have entered into a contract of sale with above Purchaser(s) to sell the above Residence. In order to finance the purchase from the undersigned of the Residence, which includes real estate and fixtures under New York law, the Purchaser(s) has applied for a mortgage loan ("Mortgage Loan") or a Mortgage Credit Certificate ("MCC") being provided by the State of New York Mortgage Agency ("SONYMA"). I/We hereby understand that:

1. Purchaser(s) are applying for a Mortgage Loan or an MCC subject to Section 143 of the Internal Revenue Code.
2. Section 143 of the Internal Revenue Code defines Acquisition Cost as the cost of acquiring a residence (which does not include property such as an appliance, a piece of furniture, a television, etc., which under applicable law is not a fixture), from the property seller as a completed residential unit and includes: (i) all amounts paid, either in cash or in kind, by the purchaser (or a related party for the benefit of the purchaser) to the property seller (or a related party for the benefit of the property seller) as consideration for the residence; (ii) if a Residence is incomplete, the reasonable cost of completing the Residence (including whether or not the cost of completing construction is to be financed by a Mortgage Loan); (iii) if a Residence is purchased subject to a ground lease, the capitalized value of the ground rent computed at a discount rate established by SONYMA; (iv) cost of land owned by Mortgagor for less than two years; and (v) for a unit being purchased in a cooperative project, the pro rata portion of the underlying mortgage allocable to the cooperative unit must be added to the cost of the shares of stock.

Based on the above understandings, (I/we) hereby certify that the Acquisition Cost of the Residence, completed in accordance with 2. above is \$_____.

Signed, Sealed and Delivered on this
_____ day of _____, _____

In the Presence of:

Notary Public

L.S. _____
Property Seller

Notary Public

L.S. _____
Property Seller

NOTE: If this document is executed by a Power-of-Attorney on behalf of the Property Seller(s), this document shall be considered a certification, and not an affidavit.



Exhibit I

Military Veteran's Eligibility Affidavit

STATE OF NEW YORK

Lender Name _____

COUNTY OF _____

SONYMA Loan # _____

I, _____, the undersigned, as a Military Veteran Purchaser have applied for a State of New York Mortgage Agency ("SONYMA") mortgage loan or a Mortgage Credit Certificate ("MCC") with the above named Lender to purchase the property located at _____ (the "Property") who having been first duly sworn depose and say:

- 1) I understand that the Internal Revenue Code provides that borrowers who are veterans (and their spouses, or co-borrowers) and who have not previously received a Mortgage Revenue Bond ("MRB") loan or an MCC under the special veteran's exception, need not meet the first-time homebuyer requirement.
- 2) I understand that the United States Code definition of "veteran" is a person who has served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable.
- 3) I understand that an MRB loan is a mortgage or cooperative share loan financed through the sale of tax-exempt bonds issued by a state or local housing agency. I understand that an MCC allows me to convert a portion of my mortgage interest deduction allowed for the Property into a Federal income tax credit.

I hereby represent and warrant that: (1) I do meet the United States Code definition of "veteran" and to evidence this, I have attached DD Form 214, Certificate of Release or Discharge from Active Duty; and (2) I have not received or been the beneficiary of an MRB loan or MCC (from any state or local government) for my principal residence pursuant to a special exception for veterans enacted December 20, 2006.

I further understand that if I made any material misstatements in the foregoing representations, such misstatements will be considered an event of default under the MRB loan and the outstanding principal balance of the MRB loan together with accrued interest and any reasonable expenses, including legal fees, at SONYMA's option, will become immediately due and payable.

Signed, Sealed and Delivered on this _____ day of _____, _____

L.S. _____
Military Veteran Purchaser

In the Presence of _____
Notary Public



MCC Application File Checklist

SONYMA requires that this checklist and each of the listed documents, as applicable, be submitted with each Mortgage Credit Certificate (MCC) application file sent for approval. **This checklist should not be used for SONYMA Mortgage Loan applications.** Strict adherence to this checklist will reduce the possibility of a suspended loan file. Information in brackets [] is for SONYMA use.

General Information

SONYMA #: _____ Loan Amount: \$ _____

Lender Name: _____

Borrower(s) Name: _____

Property Address: _____

1. Residential Loan Application (Fannie Mae Form 1003) and Uniform Underwriting Form Transmittal Summary (Fannie Mae Form 1008) [J]

- Photocopy of original signed and dated application **and** verified application completed in full? [J01/J02]
- Is the completed Fannie Mae Form 1008 attached? [J04/J05]
- If Borrower(s) is requesting a DPAL, has it been added to the Details of Transaction section? [J06]
- Is the "Title will be held in what names and manner in which title will be held" section completed on the 1003? [J12][J13]

2. Executed Contract of Sale [H]

- Photocopy of document being submitted? [H01]
- All terms and conditions of the sale stated within? [H02/H03]
- If personal property is being deducted from the Acquisition Cost, are the items and their value individually listed in the contract? [H04/H05/H06]
- Signed by all Purchaser(s) and sellers? [H07/H08]
- All riders attached and signed? [H10]

3. Appraisal Report (Fannie Mae/Freddie Mac Form) (see Seller's Guide Section 3.104 or 3.110 for appropriate forms) [N]

- Photocopy of Appraisal Report with computer- or laser-produced photographs of the front, back, and street scene being submitted? [N01/N02/N03]
- Is the Census Tract # indicated on appraisal? [N06/N07]
- If the subject unit is from a Cooperative Project, does the appraiser indicate the unit's pro-rata share of the underlying mortgage or the total number of shares, shares for the unit, and mortgage balance? [N08/N09/N10/N11]
- If property contains any outbuildings, barns, or other structure, does appraiser adequately describe the current usage and interior of such structure and are photographs included (interior & exterior)? [N12/N13/N14]

Any of the following items, depending how answered, may require further discussion with SONYMA:

- Does the property comply with local zoning ordinances? [N15/N16]
- Does the lot size conform to SONYMA's requirements per page 9 of the MCC Program Manual? [N15/N17]
- Does the property show any evidence of a prior or current business or commercial use? [N15/N18]
- Does the property contain more kitchens than the number of housing units (provide photo of kitchen and surrounding areas)? [N15/N19]

4. Recapture Notification and Mortgagor's Affidavit (#211/5-09) [S]

- Photocopy of document being submitted? [S01]
- Mortgage Lender name completed? [S02]
- Mortgagor(s) name(s) completed? [S03]
- Property Seller(s) name(s) completed? [S04]
- Total persons expecting to occupy the residence (including children) completed? [S06]

PART II - GENERAL INFORMATION

- Mortgagor(s) name(s) appears in first paragraph? [S07]
- Mortgagor(s) has checked that they are **applying for an MCC** and not a SONYMA Mortgage Loan? [S50/S51]

- Item 2 completed? [S08]
- If property is a three- or four-family dwelling, is number of units circled in item 2(D)? [S09/S10]
- If two-to-four family, is item 5 completed? [S11]
- Item 9(A), (B1), or (B2) completed? [S12]
- If Non-Target Area loan, is item 9(C) completed in full, including section marked "Select all appropriate responses"? [S13/S14/S15]
- Is copy of documentation enclosed to verify income of all Household Member(s) (age 18 and older)? [S42/S43]

PART III - ACQUISITION COST OF THE RESIDENCE

- For existing property, is Purchase Price indicated on line 1? (Subtract out any subsidy amount(s) for down payment, if applicable). [S16]
- For newly constructed property, is construction contract price indicated on line 1? [S19/S20]
- If a Cooperative, is the Pro Rata Share of the Underlying Mortgage correctly stated in 1(a)? [S17/S18]
- If applicable, is the dollar amount of subsidy/grant applied towards down payment of property indicated on line 2? [S24]
- If land has been purchased within the last 2 years, is the price of the land indicated on line 3? [S21/S22/S23]
- If the property contains unfinished living space, is the estimated cost to finish the space included on Line 3? (SONYMA requires a contractor's estimate or the appraiser's comments to support this amount.) [S47/S48]
- If the Purchaser(s) is paying closing costs normally paid by the seller, is the amount of the concession stated in the sales contract included on Line 5? [S49]
- If personal property is listed and given a value in the contract of sale, has the amount been deducted on line 6? [S25/S26/S27]
- Has the total acquisition cost been indicated on line 7? [S28]
- Is the Acquisition Cost within appropriate SONYMA Purchase Price Limit?

PART IV - INCOME ELIGIBILITY

- In Part A, only the column entitled "At Loan Application" completed? [S29/S30]
- Column entitled "At Loan Closing" is not completed? [S31/S32]
- Line 14 completed using current monthly income and includes income for all "Household Member(s) (age 18 and older)" in accordance with Section 4d of the MCC Program Manual? [S33/S34]
- Part B shows annualized current gross income? [S35]
- Household Member(s) (age 18 and older) Income within appropriate SONYMA Income Limit?

PART VI - CERTIFICATION

- Signed by all Mortgagor(s) in section entitled at "Execution at Time of Loan Application" only? [S36/S37]
- Not signed by a Power of Attorney? [S45/46]
- Notary section fully completed? [S38]
- Notary stamp and/or seal affixed and notary commission not expired? [S39]
- Section entitled "Reaffirmation at Title Closing" is not completed? [S40/S41]

5. Military Veteran's Eligibility Affidavit (#243/5-09) [if applicable, and only required if Veteran, Veteran's spouse and/or Veteran's co-Borrower(s) are not a First-Time Home Buyer] [Q]

- Original completed document being submitted? [Q01]
- Top of form fully completed? [Q02]
- Veteran Borrower(s) names and the property address being financed completed in the first paragraph? [Q03/Q04]
- Document signed by Veteran Borrower(s)? [Q05]
- Form is duly notarized and notary commission has not expired? [Q06/Q07]
- Copy of DD Form 214, Certificate of Release or Discharge from Active Duty attached? [Q08/Q09]

6. Signed Federal Income Tax Returns for All Programs (Not Required if Property is Located in Target Area or for Eligible Military Veterans)[O]

- Photocopies of last three (3) years' Federal returns with all schedules for all persons age 18 or older who intend to occupy the property submitted? [O01/O02/O03]
- Are all returns signed by all Borrower(s)?** [O04]
- If Form 1040 is submitted and Borrower(s) itemized deductions, is Schedule A attached? [O05/O06]
- If Schedule A shows deductions taken for real estate taxes and/or home mortgage interest, has a notarized affidavit been submitted to satisfactorily explain why the deductions have been taken? [O07/O08/O09/O10]
- If an IRS produced transcript has been submitted in lieu of tax returns, has it been submitted for Form 1040A or 1040EZ only (not acceptable for Form 1040 unless the transcript clearly indicates that no deductions were taken for real estate taxes and/or home mortgage interest)? [O11/O12/O13/O14]

- If Borrower(s) filed his/her Federal tax return(s) via Telefile, in addition to the form itself, did the Borrower(s) complete the appropriate response in Part II, Section 9(c) of the Recapture Notification and Mortgagor's Affidavit (Form 211)?
- If Applicant(s) filed Schedule C – Profit or Loss from Business and used his/her primary residence as the business address, is Line 30 of Schedule C completed? If an amount is entered on Line 30 of Schedule C, IRS Form 8829 – Expenses for Business Use of House must be attached to the return. Borrower(s) is eligible if no amount is entered on Line 30 of Schedule C or if Line 3 of Form 8829 does not exceed 15%. *Notwithstanding this, SONYMA, at its sole discretion, may deny a loan application if it has reason to believe that more than 15% of the property will be used for a commercial or business use.*

7. Good Faith Estimate [M1]

- Photocopy of document submitted? [M11]

8. Computer-Generated Paystubs for Most Recent 30 Days or equivalent [L]

- Photocopy of documents for all Household Member(s) (age 18 and older) submitted? [L01/L02]
- If computerized paystubs are not applicable, has the Verification of Employment(s) as described in Item 4d. of the MCC Program Manual been submitted? [L03/L04]
- If a Household Member(s) (age 18 or older) has no income, does the file contain a notarized affidavit indicating such? [(if the Household Member(s) is not a Borrower(s), the affidavit must be signed by the Borrower(s)). [O19/O20]

9. Subsidy Documentation (if applicable) [I]

- If a subsidy(ies), is being utilized in this transaction, is there photocopy of documentation in the file (i.e., award letter) verifying the subsidy provider(s), subsidy amount(s), and how funds are being distributed? [I01/I02/I03]

[Current versions of all SONYMA documents may be downloaded from our website (www.nyhomes.org/index.aspx?page=110).

Request and Certification

We, the above named lender, hereby request SONYMA to review the enclosed file submitted on behalf of the Borrower(s) for approval of a Mortgage Credit Certificate. We certify that the loan has been submitted in conformance with the applicable terms and conditions set forth by SONYMA.

I, the undersigned authorized signatory, hereby certify that the above items, when checked at the appropriate places, are accurate and complete in form and substance and constitute the application loan file for the above referenced loan.

Lender Authorized Signature

Telephone Number

Lender Contact Name

Date

Title

E-mail Address



MCC Post-Closing Document Checklist

SONYMA requires that this checklist and *originals* of each of the listed documents, as applicable, be submitted with each Mortgage Credit Certificate (MCC) post-closing file sent for approval. **This checklist should not be used for SONYMA Mortgage Loan applications.** Strict adherence to this checklist will reduce the possibility of a suspended loan file. Information in brackets [] is for SONYMA use.

General Information

SONYMA #: _____ Loan Amount: \$ _____

Lender Name: _____

Borrower(s) Name: _____

Property Address: _____

1. Reaffirmed Recapture Notification and Mortgagor's Affidavit (Form 211/5-09) [50/51]

- Original completed document and a photocopy submitted in file? [51A]
Part IV - Income Eligibility
- Total monthly and annual gross income earned is specified in section entitled "At Loan Closing"? [51F/51G]
- Income is within SONYMA income limits in effect as of the loan reservation date? [51D/51E]
- "Reaffirmation At Title Closing" section is complete and executed by all Mortgagor(s) and Guarantor(s) [51B/51C]
- Document is not executed/reaffirmed by a Power of Attorney? [51L/51M]

2. Property Seller's Affidavit (Form 210/5-09) [832]

Note: This document is not required for: (1) foreclosed properties sold by the foreclosing lender or investor, or (2) new construction properties where the owner of the land and the builder are separate individuals/entities.

- Original completed document and a photocopy submitted? [833]
- Applicant(s)/Purchaser(s) name(s) appears on Purchaser(s) line? [834]
- Property Address of property being financed appears on Residence line? [835]
- Acquisition cost exactly agrees with the amount inserted in Part III, Line 7 of the Recapture Notification and Mortgagor's Affidavit? [836/837]
- Signed by all property sellers or POA, with a copy of POA submitted (recorded or unrecorded document acceptable)? [838]
- Notary section fully completed? **(This document must always be duly notarized.)** [839]
- Notary stamp and/or seal affixed and notary commission not expired? [839]

3. Military Veteran's Eligibility Affidavit (#243/5-09) [if applicable, and only required if Veteran, Veteran's spouse and/or Veteran's co-Borrower(s) are not a First-Time Home Buyer] [Q]

- Original completed document being submitted? [Q01]
- Top of form fully completed? [Q02]
- Veteran Borrower(s) names and the property address being financed completed in the first paragraph? [Q03/Q04]
- Document signed by Veteran Borrower(s)? [Q05]
- Form is duly notarized and notary commission has not expired? [Q06/Q07]
- Copy of DD Form 214, Certificate of Release or Discharge from Active Duty attached? [Q08/Q09]

[Current versions of all SONYMA documents may be downloaded from our website (www.nyhomes.org/index.aspx?page=110).

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I, the undersigned authorized signatory, hereby certify that the above items, when checked at the appropriate places, are accurate and complete in form and substance and constitute the application loan file for the above referenced loan.

Lender Authorized Signature

Telephone Number

Lender Contact Name

Date

Title

E-mail Address