IRS = Internet Reservation Site

Submission Exhibit: Printing from IRS will auto populate fields in red. Use with Advantage, Move-Up, Move-Up Choice. Includes DPA

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
Homeownership Program
EXHIBIT 6-G

PRELIMINARY COMPLIANCE PACKAGE CHECKLIST

BORROWER: _____ **CO-BORROWER:** _____

ADFA NUMBER: _____ **DPA NUMBER:** _____

In connection with the ADFA Homeowner Program, the following documents are attached for your review and issuance of Compliance Certificate (EXHIBIT 6-H)

- ____ **Typed Certificate of Compliance (Exhibit 6-H)**
- ____ **Copy of all automated underwriting findings or loan approval signed by underwriter**
- ____ **Typed loan application with all correct information, signed and dated by borrower(s). (If typed application is not signed submit both typed copy and initial signed application)**
- ____ **Typed DPA or ADDI loan application (if applicable)**
- ____ **Loan Estimate dated within 3 days of application for first mortgage and DPA or ADDI, if applicable**
- ____ **Copy of credit report**
- ____ **Copy of Real Estate Contract-Signed and dated by all parties**
- ____ **Copy of Verification of Employment or Verbal Verification of Employment from lender verifying dates of employment and person's full name and title of position within the company giving the information**
- ____ **Copy of recent (within 30 days) paystubs showing year to date totals**
- ____ **For Self Employed borrower(s)-provide past 2 years federal tax returns with 1099(s) and/or W-2's and a current Profit and Loss Statement signed and dated certifying as true and correct**

- ____ **Original Exhibit 5-A-Mortgagor's Application Affidavit and Certification-Must be completed and signed by all application residing in the home who are 18 years or older**

- ____ **Original Exhibit 5A-1 (if applicable)-Occupant Affidavit and Certification must be completed and signed by all non-loan applicants (including spouse) who will be residing in home who are 18 years or older**

- ____ **Original Exhibit 5-C-Notice to Buyers (For FHA and RD loans only)**

- ____ **Signed and Dated Federal Tax Returns and accompanying W-2's for most recent tax year <u>IF PURCHASING IN A NON-TARGETED COUNTY</u>. IRS Transcripts may be submitted in lieu of copy of tax returns**

- ____ **Original Exhibit 5-B (if applicable) for borrowers who were not required to file tax return in the most recent tax year**

- ____ **Copy of complete appraisal**

THE UNDERSIGNED MORTGAGE LENDER CERTIFIES THAT THIS MORTGAGE LOAN IS ELIGIBLE FOR CONSIDERATION UNDER THE PROGRAM DESCRIBED WITHIN THIS DOCUMENT. I HAVE VERIFIED THESE ITEMS AS THEY PERTAIN TO ADFA RESTRICTIONS. I UNDERSTAND THAT MY SIGNATURE BELOW INDICATES THAT ALL ITEMS HAVE BEEN SUMITTED AND ARE COMPLETE.

Contact person's name should always appear here, signed and dated

Loan Processor/Authorized Signature

Name

Date

Submission Exhibit for Advantage, Move-Up, Move-Up Choice. Printing from IRS will auto populate fields on the form. Make sure all information on the 6-H is correct.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
Homeownership Program
EXHIBIT 6-H

ADFA CERTIFICATE OF COMPLIANCE

Name of Lending Institution	ADFA Number	DPA Number
Mailing Address – P O Box or Street & Number	ADFA Lender Number	
City/State/Zip Code	Telephone Number	Fax Number
Contact Person for This Loan	Email Address	

NAME OF BORROWER: _____

NAME OF CO-BORROWER: _____

PROPERTY ADDRESS: _____
(Street & Number As on Note and Mortgage)

_____
(City/State/Zip Code)

LOAN AMOUNT: $_____	**LOAN RATE:** _____
DPA LOAN AMOUNT: $_____	**DPA INTEREST RATE:** _____
COUNTY PROPERTY LOCATED: _____	**EXPECTED CLOSING DATE:** _____
LOAN TYPE: _____	

The above referenced loan file has been reviewed and found to be in compliance with the requirements Of the Internal Revenue Code of 1986 as amended and Arkansas Development Finance Authority's Regulations. THIS SIGNED APPROVAL DOES NOT GUARANTEE PURCHASE BY THE MASTER SERVICER.

The Mortgage Loan shall be closed in accordance with the guidelines set out in the Program Guide and The Mortgage Origination Agreement.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

DATE: _____ By: _____
Mortgage Bond Compliance Analyst
Telephone Number: (501)682-5900

LOANS MUST CLOSE, BE DELIVERED & CONDITIONS CLEARED BY ADFA NO LATER THAN: _____

LOANS MUST BE PURCHASED BY MASTER SERVICER BY: _____

Applicaiton Exhibit All blanks completed. Original Signature of Borrower(s) is required and should include property address.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
ADFA ADVANTAGE
EXHIBIT 5-A

BORROWER'S CERTIFICATE AS TO INCOME

Ladies and Gentlemen:

I understand that HOUSEHOLD INCOME includes total income from all sources (before taxes or withholding) of all adult persons residing or intending to reside in the Single Family Residence to be financed with the proceeds of the Mortgage Loan. The total number of all persons who will reside or intend to reside in this Single Family Residence is _____. The total number of all persons 18 years old or older who will reside or intend to reside in this Single Family Residence is _____. Household Income is defined as the "current household income of a potential Mortgagor, and shall in any event include the current gross income of all persons who reside or intend to reside with such Mortgagor in the same dwelling unit (other than persons under 18 years of age who are not primarily liable or secondarily liable on the Mortgage Note), but exclusive of the income of any CO-SIGNER of a Mortgage Note who does not reside or intend to reside therein, as evidenced by documentation satisfactory to the "Authority." The information contained in the loan application is information relevant to a determination of my annual Household Income as the date hereof, and to the best of my knowledge and belief. Current gross income is gross monthly income multiplied by twelve (12). Gross monthly income is the sum of monthly gross pay, any additional income from overtime, part-time employment, bonuses, commissions, dividends, income from assets, interest, royalties, shift differential, pensions, VA compensation, net rental income, etc., and other income such as alimony, child support, mileage, military allowance, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments, etc.

As defined above, my annual Household Income is $_____. I do not expect such annual Household Income to change within the next 180 days. This amount includes the annual income of all persons age 18 years and older who intend to occupy the mortgaged property.

BORROWER:	**CO-BORROWER:**
(x)_____	(x)_____
Name:_____	Name:_____
Date:_____	Date:_____

PROPERTY ADDRESS:_____
(MAILING ADDRESS/STREET & NUMBER) (AS ON NOTE & MORTGAGE)

_____
(CITY/STATE/ZIP CODE)

THIS DOCUMENT MUST BE EXECUTED BY BORROWER AND CO-BORROWER AT TIME OF LOAN APPLICATION

Advantage Application Exhibit to be completed. One exhibit for each non-borrower occupant over the age of 18 years.

Printing from IRS has fillable fields. Complete ALL fields

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
ADFA ADVANTAGE
EXHIBIT 5 A-1

NON-BORROWER OCCUPANT INCOME AFFIDAVIT

The undersigned, Non-Borrower Occupant Name duly states under oath that:

1. I intend to be an occupant of the residence located at : Property Address including zip code _____.

2. My gross monthly income is $ fill in amount (Gross monthly income is the sum of monthly gross pay, any additional income from overtime, part-time employment, bonuses, commissions, dividends, income from assets, interest, royalties, shift differential, pensions, VA compensation, net rental income, etc., and other income such as alimony, child support, mileage, military allowance, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments, etc.).

One year required for Advantage and DPA unless doing ADDI. 2 years required for ADDI with W'2's and/ or 1099's. Self-Employed borrowers require 2 years, plus YTD P&L, signed.

3. Three years of Federal Income Tax Returns are required.

I am providing tax returns with W-2's attached for the following years: _____; _____; _____.

Current tax year required for Advantage

I have **not** filed, and was under no obligation to file, the following income tax years: _____; _____; _____.

4. (CHECK APPROPRIATE RESPONSE). I have ____ I have **not** ____ had a present ownership interest in a principal residence of mine at any time during the three-year period prior to the date of executing the mortgage on said residence.

check appropriate box

I UNDERSTAND THAT FOR THE PURPOSES OF THE FOREGOING, EXAMPLES OF INTERESTS WHICH CONSTITUTE A PRESENT OWNERSHIP INTEREST (AND THUS WOULD RESULT IN MY NOT MEETING SUCH REQUIREMENTS) ARE THE FOLLOWING:

a. A fee simple interest;
b. A joint tenancy, a tenancy in common, or a tenancy by the entirety;
c. The interest of a tenant-shareholder in a cooperative;
d. A life interest;
e. A land contract (i.e., a contract pursuant to which possession and the benefits of ownership transferred although a legal title is **not** transferred until some later date);
f. An interest held in trust for the mortgagor (whether or **not** created by the mortgagor) that would constitute ownership interest if held directly by the mortgagor;

g. A lease with an option to purchase for a nominal sum; and
h. An interest in a mobile home that has been, and is now, permanently affixed to real property.

EXAMPLES OF INTEREST WHICH DO **NOT** CONSTITUTE PRESENT OWNERSHIP INTEREST AND THUS WOULD **NOT** RESULT IN MY FAILING TO MEET THE REQUIREMENTS ARE THE FOLLOWING:

a. A remainder interest;
b. A lease without an option to purchase or a lease with an option to purchase at fair market value;
c. A mere expectancy to inherit an interest in a principal residence;
d. The interest that a purchaser of a residence acquires on the execution of a purchase contract;
e. An interest in other than a principal residence during the previous three years;
f. An interest in a mobile home that has **not** been, and is **not** now, permanently affixed to a real property.

OCCUPANT (x)_____

Name:_____

Date:_____

Non Borrower occupant to sign and have notarized. Original signatures required.

ACKNOWLEDGMENT

STATE OF ARKANSAS)
COUNTY OF _____)

On this_____ day of _____, 20_____, before me, a Notary Public within and for the said County and State, personally appeared _____ to me known to be the person(s) described therein and who, being by me first duly sworn, executed the foregoing Occupant's Income Certification Affidavit, and acknowledged, deposed and said that he/she/they executed the same as his/her/their free act and deed and stated that the information and certifications contained therein are true and correct.

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

_____
Notary Public

My Commission Expires:

_____
(SEAL)

Application
Exhibit

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
ADFA ADVANTAGE
EXHIBIT 5-B

BORROWER'S APPLICATION AFFIDAVIT AND CERTIFICATION

The undersigned, Borrower name, duly states under oath that:

1. I am a purchaser and mortgagor (the "Borrower") of the residence located at Property Address and legally described as follows:

   Legal Description:

2. I either occupy such residence (or one unit of the duplex constituting such residence) as my principal residence, or I will do so in within sixty (60) days of the date the Mortgage Loan is executed, and I will maintain such property (or units) as my principal residence. (If a duplex, property was occupied as a residence at least five (5) years prior to the date hereof).

3. No part of the Mortgage Loan proceeds is being or will be used to acquire or replace an existing mortgage loan, and I did **not** have a mortgage loan (whether or **not** paid off) on said residence at any time prior to the execution of the Mortgage Loan (except that I may have a construction period loan or temporary initial financing of 24 months or less with the respect to the residence and may use the proceeds of the Mortgage Loan to repay such financing).

4. The purchase price of the residence is $_____ or less. I understand that for the purpose of the foregoing Purchase Price of the residence is the cost of acquiring the residence from the seller as a completed residential unit. The acquisition cost includes:

   Sales Price not to exceed $250,000

   a. **All** amounts paid, either in cash or in kind, by the purchaser (or a related party or for the benefit of the purchaser) to the seller (or a related party or for the benefit of the seller) as a consideration for the residence (including the payment or assumption of any liability for a debt of the seller). The residence includes **all** property that is a fixture. The purchase price also includes the acquisition cost of any other item in excess of the fair market value.
   b. If a residence is incomplete, the reasonable cost of completing the residence whether or **not** the cost of completing construction is to be financed with the proceeds of the Mortgage Loan.
   c. (DELETE IF **NOT** APPLICABLE). Where a residence is purchased subject to a ground lease, the capitalized value of the ground lease, using the discount rate provided by the Arkansas Development Finance Authority ("Authority").

____/____
Initial

The acquisition cost does **not** include:

d. The usual and reasonable settlement or financing costs. Settlement costs include titling and transfer costs, title insurance, survey fees, or other similar costs. Financing costs also include credit reference fees, legal fees, appraisal expenses, "points" which are paid by the purchaser or other costs of financing the residence.
e. The value of services performed by any purchaser's family in completing the residence. For purposes of the preceding sentence, the family of an individual includes only the individual's brothers and sisters (whether by whole or half blood), spouse, ancestors, and lineal descendants.
f. The cost of land, which has been owned by any purchaser for, at least two (2) years prior to the date on which construction of the residence began.

5. (CHECK APPROPRIATE RESPONSE). I have I have **not** had a present ownership interest in a principal residence of mine at any time during the three-year period prior to the date on which I will be executing the Mortgage on said residence, and to the best of my knowledge, the same is true with respect to each other person (if any) purchasing and mortgaging said residence with me.

Cannot have owned another home in the last 3 years for Advantage unless property is located in a Targeted County

I UNDERSTAND THAT FOR THE PURPOSES OF THE FOREGOING, EXAMPLES OF INTERESTS WHICH CONSTITUTE A PRESENT OWNERSHIP INTEREST (AND THUS WOULD RESULT IN MY **NOT** MEETING SUCH REQUIREMENTS) ARE THE FOLLOWING:

a. A fee simple interest:
b. A joint tenancy, a tenancy in common, or a tenancy by the entirety;
c. The interest of a tenant-shareholder in a cooperative;
d. A life interest;
e. A land contract (i.e., a contract pursuant to which possession and the benefits of ownership transferred although a legal title is **not** transferred until some later date);
f. An interest held in trust for the mortgagor (whether or **not** created by the mortgagor) that would constitute ownership interest if held directly by the mortgagor;
g. A lease with an option to purchase for a nominal sum; and
h. An interest in a mobile home that has been, and is now, permanently affixed to real property.

EXAMPLES OF INTEREST WHICH DO **NOT** CONSTITUTE PRESENT OWNERSHIP INTEREST AND THUS WOULD **NOT** RESULT IN MY FAILING TO MEET THE REQUIREMENTS ARE THE FOLLOWING:

a. A remainder interest;
b. A lease without an option to purchase or a lease with an option to purchase at fair market value;
c. A mere expectancy to inherit an interest in a principal residence;

d. The interest that a purchaser of a residence acquires on the execution of a purchase contract;

e. An interest in other than a principal residence during the previous three years;

f. An interest in a mobile home that has **not** been, and is **not** now, permanently affixed to a real property.

6. The residence contains no more than two separate family dwelling units, if there are two units, one unit **must** have been used as a residence for 5 years, and one of the units **must** be occupied by the borrower as his or her principal residence.

7. I WILL **NOT** PERMIT ANY PERSON TO ASSUME MY OBLIGATIONS UNDER THE MORTGAGE (AND RELATED MORTGAGE NOTE), NOR WILL I TRANSFER TITLE TO THE RESIDENCE (EXCEPT AS SET FORTH IN THE MORTGAGE), UNLESS SUCH PERSON SATISFIES THE FOREGOING REQUIREMENTS, AND UNLESS THE PURCHASE PRICE OF THE RESIDENCE DOES **NOT** EXCEED THE MAXIMUM PURCHASE PRICE ALLOWED BY ADFA AND SUCH PERSON SO STATES UNDER OATH.

   The purchase price limitation, which is required by the federal tax laws, may be a lower number at the time of the assumption than was in effect at the time of the ORGINAL purchase. This may occur in the case of the purchase of a newly constructed home. If such home has **not** previously been occupied (i.e., at the time of ORIGINAL purchase), such home is subject to the maximum purchase price for the "new construction." However, because such home will have been previously occupied at the time of a subsequent assumption, such home will be subject to the maximum purchase price for an "existing home." This is the case if the ORIGINAL purchaser occupied the home for any period of the time (i.e., technically even one day).

___/___ Initial

8. (DELETE THE FOLLOWING IF MORTGAGOR FILED FEDERAL INCOME TAX RETURNS). I have **not** filed, and was under no obligation to file, federal tax returns, for the following income tax years: _____.

___/___ Initial

9. (DELETE THE FOLLOWING IF MORTGAGOR RESPONDED TO ITEM 8).
   I have filed federal income tax returns for the most recent tax years.

10. I do **not** expect to use more than 15% of the total area of the residence in a trade or business.

11. I recognize and acknowledge (i) that the indebtedness evidenced by the Mortgage Note and secured by the Mortgage is being funded by the Authority, and by the issuance of mortagage revenue bonds by the Authority, and (ii) that in order that the funding may be effected on the terms provided by the Mortgage Note and the Mortgage, the revenue bonds of the Authority are issued in compliance with certain provisions of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued and proposed thereunder; and (iii) that it is pursuant to those provisions of said Code and Regulations that the certifications and requirements set forth above (including, without limitation, those set forth in paragraph 7), are made and agreed to.

12. I understand that if my Mortgage Loan is being financed (or assumed by a subsequent purchaser) after December 31, 1990, federal law provides for a "recapture tax" which may be applicable to me (or a subsequent purchaser) upon the resale of the residence. I acknowledge receipt of the Notices to Mortgagor regarding Potential Recapture Tax, **EXHIBIT 5-F** and **7-P.**

13. I acknowledge that I have received and executed the "Notice to Buyers" regarding potential foreclosure, which notice shall be deemed incorporated herein by reference.

Original signature(s) required

BORROWER:	**CO-BORROWER:**
(x)_____	(x)_____
Name:_____	Name:_____
Date:_____	Date:_____

ACKNOWLEDGMENT

STATE OF ARKANSAS)
COUNTY OF _____)

On this _____ day of _____, 20____, before me, a Notary Public within and for the said County and State, personally appeared _____
_____,
to me known to be the person(s) subscribed therein and who, being by me first duly sworn, executed the foregoing Borrower's Affidavit and Certificatio n, and acknowledged, deposed and said that he/she/they executed the same as his/her/their free act and deed and stated that the information and certifications contained therein are true and correct.

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

_____
Notary Public

My Commission Expires:

_____
(SEAL)

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
ADFA ADVANTAGE
EXHIBIT 5-C

NOTICE TO BORROWERS

THIS NOTICE IS FOR FHA AND RURAL DEVELOPMENT HOMEBUYERS

Your home purchase is being financed with a Mortgage Loan made available with the assistance of the Arkansas Development Finance Authority ("Authority"). This Mortgage Loan is made at an interest rate below what is usually being charged. Because of this, your Mortgage provides that you cannot sell your home to a person ineligible for the assistance from the Authority, unless you pay your loan in full. If you sell your home to a party ineligible for the Authority's assistance, the Authority may demand immediate full repayment of the Mortgage Loan. This could result in foreclosure of your Mortgage and repossession of the property. In addition, if you rent the property or committed fraud or intentionally misrepresented yourself when you applied for the Mortgage Loan, the Mortgage Lender may foreclosure your Mortgage and repossess the property. If the Mortgage Lender takes your home through foreclosure of the Mortgage because of these reasons, HUD/Rural Development will not be able to help you.

If the money received from the foreclosure sale is not enough to pay the remaining amount you owe on the Mortgage Loan, the Authority may obtain a deficiency judgment against you (a court ruling that you must pay whatever money is still owed on the Mortgage Loan after the foreclosure sale). Such judgment will be taken over by HUD/Rural Development if the Authority files an insurance claim against HUD/Rural Development because of the foreclosure. HUD/Rural Development may then bring an action against you to collect the judgment.

Original signature(s) required

BORROWER:	**CO-BORROWER:**
(x)_____	(x)_____
Name:_____	Name:_____
Date:_____	Date:_____

THIS DOCUMENT MUST BE EXECUTED BY BORROWER(S)
AT TIME OF LOAN APPLICATION

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
ADFA ADVANTAGE
EXHIBIT 5-F

NOTICE TO MORTGAGOR OF POTENTIAL RECAPTURE TAX; OWNER OCCUPANCY REQUIREMENT; PURCHASE PRICE LIMITS AND INCOME LIMITS; FINAL SHIPPING DATE

TO BE DELIVERED TO MORTGAGOR AT THE TIME OF APPLICATION FOR MORTGAGE LOAN

Because you are receiving a mortgage loan from the proceeds of a tax-exempt bond, you are receiving the benefits of a lower interest rate than is customarily charged on other mortgage loans. If you sell or otherwise dispose of your home during the next nine years, this benefit may be "recaptured." The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain and if your income increases above specified levels.

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax. Upon the closing of your Mortgage Loan, you will be given certain additional information that will be needed to calculate the amount, if any, of the "recapture tax."

The undersigned mortgagor(s) is (are) aware that they must occupy the subject residence as their principal residence, or will do so within sixty (60) days of the date the mortgage is executed, and will maintain such property (or unit) as their principal residence and will do so until the loan is paid in full or assumed by a qualifying borrower. The mortgagor(s) is (are) also aware of the Purchase Price Limits and Income Limits as set forth in Schedule II & III of the Supplement to the Mortgage Origination Agreement.

ALL FILES MUST BE CLOSED AND SHIPPED TO THE U.S. BANK HOME MORTGAGE COMPANY THE MASTER SERVICER.

The undersigned mortgagor(s) has (have) received and read a duplicate copy of the foregoing Notice to Mortgagor of Potential Recapture Tax, Principal Residence Requirement, Sales Price and Income Limits, and Final Shipping Dates.

MORTGAGOR:	**CO-MORTGAGOR:**
(x)_____	(x)_____
Name: _____	Name: _____
Date: _____	Date: _____

Original signature(s)

CLOSING DOCUMENT

7K is used for both Advantage, DPA, and Move-Up programs

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

Homeownership Program

Exhibit 7-K

ADFA REQUIRED CLOSING DOCUMENTS

THE FOLLOWING DOCUMENTS MUST BE SHIPPED TO ADFA WITHIN TEN (10) BUSINESS DAYS OF LOAN CLOSING

Mail To: Single Family AR Development Finance Auth. — P.O. Box 8023, Little Rock, AR 72203-8023

Name of Lending Institution	ADFA Number	DPA Number
Mailing Address-P.O.Box or Street & Number	ADFA Lender Number	
City/State/Zip Code	Telephone Number	Fax Number
Contact Person for This Loan	Email Address	

always complete contact information with email and phone number

NAME OF BORROWER: _____
(Last Name) (First Name) (M.I.)

NAME OF CO-BORROWER: _____
(Last Name) (First Name) (M.I.)

PROPERTY ADDRESS: _____
(Street & Number) (As on Note and Mortgage)

_____
(City/State/Zip Code)

LOAN AMOUNT: $_____ COUNTY PROPERTY LOCATED: _____

DPA LOAN AMOUNT: $ _____ DATE OF NOTE: _____

- ___ Check for $25.00 Reservation Fee made payable to Arkansas Development Finance Authority
- ___ Typed copy of Residential Loan Application (1003) with appropriate addendums (Signed and dated by borrower(s) and lender)
- ___ Copy of DPA Loan Application (1003) signed and dated by borrower(s) and lender
- ___ Copy of Closing Disclosure for first mortgage and DPA (if applicable) received by borrower(s) 3 business days prior to closing.
- ___ Copy of Title Commitment
- ___ Copy of Mortgage Note

7-L and 7-M are not required on the Move-Up program

EXHIBIT 7-K
Page 2

- ___ Copy of Mortgage/Deed of Trust and Rider (**Exhibit 7-N if applicable**) and other applicable Rider's.
- ___ Copy of Assignment of Mortgage/Deed of Trust (**Exhibit 7-O**) if not using **MERS**.
- ___ Original Mortgagor's and Seller's Affidavits (**EXHIBITS 7-L AND 7-M**)
- ___ Original Notice to Mortgagor of information regarding potential recapture tax (**EXHIBIT 7-P**) and County Income Limit Page for current year (**if applicable**)
- ___ Copy of Warranty Deed showing who has taken title to property on all ADFA loans
- ___ Copy of DPA Note (**if applicable**)
- ___ Copy of unrecorded Subordinate DPA Mortgage (**if applicable**) (**Original DPA Mortgage must be submitted to Master Servicer within 60 days**)
- ___ Copy of Homebuyer Education Certificate (**if DPA was used**)
- ___ Copy of Homeowners Insurance showing ADFA as 2nd mortgagee (**if DPA was used**)
  Mortgagee Clause: ADFA, ISAOA/ATIMA, 900 W Capitol, Suite 310, Little Rock, AR 72201
- ___ Copy of First Payment Letter on both First Mortgage and DPA Subordinate Mortgage Loans.

Mortgage Lender hereby certifies that the above information is true and correct and that the loan has been closed in accordance with the terms of the Mortgage Origination Agreement and the Single Family Program Guide.

FURTHER: Mortgage Lender hereby reaffirms the warranties, representations, and covenants contained in the Mortgage Origination Agreement.

Must be signed by person submiting the package complete with contact information on the front page

_____
(Name of Lending Institution

By: _____

Name:

Date:

CLOSING DOCUMENTS HAVE BEEN RECEIVED AND REVIEWED AT ADFA. WE HEREBY AUTHORIZE THE MORTGAGE CLOSING APPROVAL.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY:

By: _____

Mortgage Bond Compliance Analyst

Date: _____

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
Homeownership Program
EXHIBIT 7-N

MORTGAGE/DEED OF TRUST RIDER

This Rider is made this _____day of _____, ____, and is incorporated into and shall be deemed to supplement the Deed of Trust/Mortgage of this same date given by the undersigned borrowers to the Mortgagee.

The Mortgagee, _____ or such of its successors or assigns as may by separate instrument assume responsibility for assuring compliance by the Mortgagor with the provisions of this, may declare all sums secured by this Mortgage to be immediately due and payable if:

a) All or part of the property is sold or otherwise transferred (other than by devise, descent or operation of law) by Mortgagor to a purchaser or othe r transferee:

i. Who cannot reasonably be expected to occupy the property as a principal residence within a reasonable time after the sale or transfer, all as provided in Section 143(c) and (I)(2) of the of the Internal Revenue Code of 1986, as amended (the "Code");

ii. Who has had a present ownership interest in a principal residence during any part of the three-year period ending on the date of the sale or transfer, all as provided in Section 143(d) and (I)(2) of the Code (except that the language "100 percent" shall be substituted for "95 percent or more" where the latter appears in Section 143(d)(1); or

iii. At an acquisition cost which is greater than 90 percent of the average area of purchase price, all as provided in Sections 143(e) and (I)(2) of the Code; or

iv. Who has a gross family income in excess of the applicable percentage of applicable median family income as provided in Section 143(f) and (I)(2) of the Internal Revenue Code; or

b) Mortgagor fails to occupy the property described in the mortgage without prior written consent of the Mortgagee or its successor assigns described at the beginning of this Addendum; or

c) Mortgagor omits or misrepresents a fact that is material with respect to the provisions of Section 143 of the Code in an application for this mortgage.

References are to the Code in effect on the date of execution of the mortgage and are deemed to include the implementing Treasury Department regulations.

MORTGAGOR:

(x)_____
Name:_____
Date: 00/00/0000

CO-MORTGAGOR:

(x)_____
Name:_____
Date:_____

Property Address:_____
(Mailing Address)(As on Note & Mortgage)(Street Number and Name)

_____
(City/State/Zip Code)

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
Homeownership Program
EXHIBIT 7-O

ASSIGNMENT OF DEED OF TRUST/MORTGAGE

KNOW ALL MEN BY THESE PRESENTS, that _____,
for good and valuable consideration to it in hand paid by U.S. Bank National Association, organized under the laws of the State of Ohio ("Assignee"), the receipt of which consideration is hereby acknowledged, does hereby assign transfer, and set over unto Assignee all its right, title and interest in and to that certain Deed of Trust/Mortgage executed by _____
unto _____, Mortgage dated 00/00/0000 _____,
and filed of record in the office of the Circuit Clerk and Ex Officio Recorder of _____
County, Arkansas on the _____ day of _____,_____, and appearing of record in Book #_____,
Page # _____, or Instrument #_____, together with the notes(s) and indebtedness described and secured by the instrument aforesaid.

Legal Description:

TO HAVE AND TO HOLD the same unto the said Assignee and its successors and assigns forever.

EXECUTED AND DELIVERED this _____ day of _____, 20_____.

_____
Name of Assignor/ Lending Institution
By: _____
Name: _____
Date: _____

ATTESTATION

_____

(Printed Name)_____

STATE OF ARKANSAS)
COUNTY OF_____)

BEFORE ME, the undersigned, a Notary Public, within and for the said County and State, duly commissioned and qualified, personally appeared _____and _____ of _____ as ASSIGNOR, and were duly authorized in their respective capacities to execute the foregoing instrument for and in the name of and on behalf of said ASSIGNOR, and further stated and acknowledged that they had so signed, executed, and delivered said foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

WITNESS my hand and Notarial Seal at my office in said _____ County this _____ day of _____, 20_____.

_____
Notary Public

My Commission Expires:

_____
(SEAL)

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
ADFA ADVANTAGE
EXHIBIT 7-P

NOTICE TO MORTGAGOR OF INFORMATION REGARDING POTENTIAL RECAPTURE TAX

TO BE DELIVERED TO MORGAGOR AT TIME
OF SETTLEMENT OR ASSUMPTION OF MORTGAGE LOAN

Your mortgage loan has been financed with the proceeds of a tax-exempt qualified mortgage bond. As a result, pursuant to Section 143(m) of the Internal Revenue Code of 1986 (the "Code"), you may, at the time at which you resell the residence financed by the Mortgage Loan, be subject to a special "recapture tax" for federal income tax purposes. You should consult you tax advisor at the time of resale by you of the residence to determine the amount, if any, of such "recapture tax." The following information will assist you in determining the amount, if any, of "recapture tax."

1. Name of Mortgagor: Borrower name
2. Name of Co-Mortgagor: Co-mortgagor if applicable
3. Date of Settlement of Mortgage Loan: Closing Date
4. Location of Residence: Property adddress with zip code
5. Residence is located in a Targeted or Non-Targeted area.
6. Principal amount of Mortgage Loan on date of settlement: $ loan amount.
7. Federally subsidized amount pursuant to Section 143(m)(4)(B) of the Code (6.25%): $_____.

Multiply the loan amount by 6.25%. Result goes in this field

A. Introduction

1. General. When you sell your home you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any reference in this notice to the "sale" of your home also includes other ways of disposing of your home. For instance, you may owe a recapture tax if you give you home to a relative.
2. Exceptions. In the following situations, no recapture tax is due and you do not need to do the calculations:

   (i) You dispose of your home later than nine years after you close your Mortgage Loan;
   (ii) Your home is disposed of as a result of your death;
   (iii) You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under Section 1041 of the Code; or
   (iv) You dispose of your home at a loss.

B. Maximum Recapture Tax. The maximum recapture tax that you may be required to pay as an addition to your federal income tax is $ same as #7 above. This is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

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Page 2

C. Actual Recapture Tax. The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (1) 50% of your net gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income purposes or (2) your recapture tax, determined by multiplying the following three numbers:

same as #7

(i) $ _____ (the maximum recapture tax, as described in paragraph B above),

(ii) The holding period percentage, as listed in Column 1 in the Table. See page 4. (County Income Limit Sheet)

(iii) The income percentage, as described in paragraph D below. See page 4. (County Income Limit Sheet)

D. Income Percentage. You calculate the income percentage as follows:

(i) Subtract the applicable adjusted qualifying income in the taxable year in which you sell your home, as listed in Column 2 in the Table, from your modified adjusted gross income in the taxable year in which you sell your home. Your modified adjusted income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your adjusted gross income must be increased by the amount of any interest that you receive or accrue in the taxable year from tax-exempt bonds that is excluded from your gross income (under Section 103 of the Code) and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.

(ii) If the amount calculated in (i) above is zero or less, you owe no recapture tax and do not need to make any more calculations. If it is $5,000 or more, your income percentage is 100%. If it is greater that zero but less than $5,000, it must be divided by $5000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is $1,000/$5,000, your income percentage is 20%.

E. Limitations and Special Rules on Recapture Tax.

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.

2. If your home is destroyed by fire, storm, flood or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence on the site of the home financed with your original subsidized Mortgage Loan.

3. In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized Mortgage Loan, the actual recapture tax is determined separately for them based on their interests in the home.

4. If you repay your Mortgage Loan in full during the nine-year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in Section 143(m)(4)(c)(ii) of the Code.

5. Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when you sell or otherwise dispose of your actual recapture tax. See Section 143(m) of the Code generally.

The undersigned Mortgagor(s) has (have) received and read a duplicate copy of the forgoing Notice to Mortgagor of Information Regarding Potential Recapture Tax.

MORTGAGOR:	**CO-MORTGAGOR:**
(x)_____	(x)_____
Name:_____	Name:_____
Date:_____	Date:_____

Original Signature(s)

This form goes with closing Exhibit P. Choose appropriate county when printing this form from IRS. Fields will auto populate when printing from IRS.

2015 Income Limit

County: PULASKI

Borrower's Name:

Co-Borrower's Name:

Tracking Number:

Date That You Sell Your Home	(Column 1) Holding Period Percentage	(Column 2) Adjusted Qualifying Income — Number of Family Members Living in Your Home at the Time of Sale	
		2 or less	3 or more
Before the first anniversary of closing (See Note below)	20%	63,400.00	72,910.00
On or after the first anniversary of closing, but before the second anniversary of closing	40%	66,570.00	76,555.50
On or after the second anniversary of closing, but before the third anniversary of closing	60%	69,898.50	80,383.27
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	73,393.42	84,402.43
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	77,063.09	88,622.56
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	80,916.25	93,053.68
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	84,962.06	97,706.37
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	89,210.16	102,591.69
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	93,670.67	107,721.27

Note: Closing means the closing date for your loan.

EXHIBIT P

NOTE
(ADFA DOWNPAYMENT ASSISTANCE PROGRAM)

DATE: CLOSING DATE _____ _____
City, State

PROPERTY ADDRESS: _____
(Street) (City/State/Zip)

1. BORROWER'S PROMISE TO PAY

$1,000 to $6,000

LOAN AMOUNT

In return for a loan that I have received (the "Loan"), I promise to pay U.S. $_____(this amount is called "principal"), plus interest to the order of the Lender. The Lender is Arkansas Development Finance Authority, a body politic and corporate organized and existing under the laws of the State of Arkansas. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

The Loan evidenced by this Note is being made pursuant to the Arkansas Development Finance Authority Downpayment Assistance Program.

The Loan is being made in order to assist me in purchasing the Property. The sales price of the Property is $ _____. SALES PRICE NOT TO EXCEED $250,000

2. INTEREST

INTEREST RATE IS CURRENTLY 4% SUBJECT TO CHANGE

Interest will be charged on the unpaid principal until the full amount of principal has been paid. I will pay interest at a yearly rate of _____%. The interest rate required by this Section 2 is the rate I pay both before and after any default described in Section 6(B) of this Note.

3. PAYMENTS

(A) Time and Place of Payments

I will pay principal and interest as provided in Section 2 above by making payments every month.

EXAMPLE: If closed on 7-30-2016, first payment due would be 9-1-2016

I will make my monthly payments on the first day of each month beginning on the first day of _____, 2_____. I will make these payments every month until I have paid all the principal and interest, if any, and any other charges described below that I may owe under this Note. My monthly payments will be applied to interest before principal. If, on the first day of _____, 2_____, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

10 YEAR LOAN

EXAMPLE: If closed on 7-30-2016, last paymen would be 8-1-2026

The principal amount of this Note shall be due and payable in full upon acceleration of the Note in the event of a default hereunder of the Subordinate Security Interest, or on the date of the first sale or transfer of the Property to occur after the date of this Note.

I will make my payments at Arkansas Development Finance Authority - 900 West Capitol Suite 310, Little Rock, Arkansas 72201 or at a different place if required by the Note Holder.

The indebtedness evidenced by this Note, and any other financial obligation which may hereafter be imposed on me by the Lender, is subordinate to the indebtedness evidenced by a note payable to a senior lender, which note is secured by a first mortgage on the Property (the "First Mortgage").

(B) Amount of Monthly Payments

My monthly payments will be in the amount of U.S. $_____. Max payment on $6,000 - $60.75

4. BORROWER'S RIGHT TO PREPAY

I have the right to make payments of principal at any time before they are due. A payment of principal only is known as a "prepayment." When I make a prepayment, I will tell the Note Holder in writing that I am doing so.

I may make a full prepayment or partial prepayments without paying a prepayment charge. The Note Holder will use all of my prepayments to reduce the amount of principal that I owe under this Note. If I make a partial prepayment, there will be no changes in the due date or in the amount of my monthly payment unless the Note Holder agrees in writing to those changes.

I have the right to prepay the principal amount of this Note, together with any accrued interest without any prepayment charge provided that such prepayment is in full or not in part.

5. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then; (i) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (ii) any sums already collected from me which exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the principal I owe under this Note or by making a direct payment to me. If a refund reduces principal, the reduction will be treated as a partial prepayment.

6. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Late Charge for Overdue Payments

If the Note Holder has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be 4% of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

(B) Default

If I do not pay the full amount of each monthly payment on the date that it is due, I will be in default.

(C) Notice of Default

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of principal which has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is delivered or mailed to me.

(D) No Waiver By Note Holder

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(E) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

7. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

8. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of guarantor, surety or endorser of this Note, is also obligated to keep all the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

9. WAIVERS

I and any other person who has obligations under this Note waive the rights of presentment and notice of dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

10. UNIFORM SECURED NOTE

In addition to the protections given to the Note Holder under this Note, a Subordinate Mortgage (the "Subordinate Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. The Subordinate Security Instrument is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the First Mortgage. The Subordinate Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

Transfer of the Property or a Beneficial Interest in Borrower. Except for a conveyance to the Senior Lien Holder under the First Mortgage, if all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

If Lender exercises this option, Lender shall give Borrower and the Senior Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

Witness the hand(s) and seal(s) of the undersigned.

Original signatures. Original document to US Bank; copy to ADFA

_____(Seal)
BORROWER -Borrower

_____
(Borrower's Typed Name)

_____(Seal)
CO-BORROWER -Borrower

_____
(Borrower's Typed Name)

SUBORDINATE MORTGAGE
(ADFA DOWNPAYMENT ASSISTANCE PROGRAM)

CLOSING DATE

THIS SUBORDINATE MORTGAGE ("Security Instrument") is made on this _____day of_____, 2_____. The grantor is BORROWER - CO- BORROWER NAME --- SPOUSES IF MARRIED _____ ("Borrower"). This Security Instrument is given to Arkansas Development Finance Authority, organized and existing under the laws of the State of Arkansas and whose address is 900 West Captiol, Suite 310 - Little Rock, Arkansas 72201("Lender"). Borrower owes Lender the principal sum of $ LOAN AMOUNT This debt is evidenced by the Borrower's note dated the same date as this Security Instrument ("Note").

EXAMPLE: If closed on 7-30-2016, last paymen would be 8-1-2026

The Note provides that the full debt, if not paid earlier, shall be due and payable on the _____, day of _____, 2_____ the "Maturity Date" of the Note.

The loan evidenced by the Note and secured by this Security Instrument (the "Loan") is being made pursuant to the Arkansas Development Finance Authority Downpayment Assistance Program. In addition to the Loan, the Borrower obtained a mortgage loan (the "First Mortgage Loan") from organized and existing under the laws of the State of Arkansas (the "Senior Lien Holder"), which loan is secured by a first mortgage lien on the Property (the "First Mortgage"). The documents evidencing or securing the First Mortgage Loan are collectively referred to herein as the First Mortgage Loan Document.

This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest as provided in the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest as provided in the Note, advanced under paragraph 8 herein to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably mortgages, grants and conveys to Lender and Lender's successor and assigns, with power of sale, subject to the rights of the Senior Lien Holder under the First Mortgage, the property located in NAME County which has the address of FULL PROPERTY ADDRESS INCLUDING ZIP CODE _____ and is further described in Exhibit A attached hereto ("Property Address");

TO HAVE AND TO HOLD this property unto Lender and Lender's successors and assigns, forever, all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to mortgage, grant and convey the Property and, except for the First Mortgage and the other encumbrances of record acceptable to the Senior Lien Holder, the Property is unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest; Prepayment and Late Charges. Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any late charges due under the Note.

2. Funds for Taxes and Insurance. Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly payments are due under the Note, until the Note is paid in full, a sum ("Funds") for: (a) yearly taxes and assessments which may attain priority over this Security Instrument as a lien on the Property; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly hazard or property insurance premiums; (d) yearly flood insurance premiums, if any; (e) yearly mortgage insurance premiums, if any; and (f) any sums payable by Borrower to Lender, in accordance with the provisions of paragraph 9, in lieu of the payment of mortgage insurance premiums. These items are called "Escrow Items." Lender may, at any time, collect and hold Funds in an amount not to exceed the maximum amount a lender for a federally related mortgage loan may require for Borrower's escrow account under federal Real Estate Settlement Procedures Act of 1974 as amended from time to time, 12 U.S.C. Section 2601 et seq. ("RESPA"), unless another law that applies to the Funds sets a lesser amount. If so, Lender may, at any time, collect and hold Funds in an amount not to exceed the lesser amount. Lender may estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with applicable law. The Borrower shall not be obligated to make such payments of Funds to the Lender to the extent that the Borrower makes such payments to the Senior Lien Holder in accordance with the First Mortgage.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentally, or entity (including Lender, if Lender is such an institution) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items. Lender may not charge the Borrower for holding and applying the Funds, annually analyzing the escrow account, verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and the applicable law permits Lender to make such a charge. However, Lender may require Borrower to pay a one-time charge for an independent real estate tax reporting service used by Lender in connection with this loan, unless applicable law provides otherwise. Unless an agreement is made or applicable law requires interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender may agree in writing, however, that interest shall be paid on the Funds. Lender shall give Borrower, without charge, an annual accounting of the Funds, showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for all sums secured by this Security Instrument.

If the Funds held by Lender exceed the amounts permitted to be held by applicable law, Lender shall account to Borrower for the excess Funds in accordance with the requirements of applicable law. If the amount of the Funds held by Lender at any time is not sufficient to pay the Escrow Items when due, Lender may so notify Borrower in writing, and, in such case Borrower shall pay the Lender the amount necessary to make up the deficiency. Borrower shall make up the deficiency in no more than twelve monthly payments, at Lender's sole discretion.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender. If, under paragraph 23, Lender shall acquire or sell the Property, Lender, prior to the acquisition or sale of Property, shall apply any Funds held by Lender at the time of the acquisition or sale as a credit against the sums secured by this Security Instrument.

3. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under paragraphs 1 and 2 shall be applied: first, to any prepayment charges due under the Note; second, to amounts payable under paragraph 2; third, to interest due; fourth, to principal due; and last, to any late charges due under the Note.

4. Prior Mortgages; Charges; Liens. The Borrower shall perform all of the Borrower's obligations under the First Mortgage, including Borrower's covenants to make payments when due. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall pay these obligations in the manner provided in paragraph 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed

payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

Except for the lien of the First Mortgage, Borrower shall promptly discharge any other lien which shall have attained priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith to lien by, or defends against enforcement of the lien, in legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. Except for the lien of the First Mortgage, if Lender determines that any part of the Property is subject to a lien, which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy such lien or take one or more of the actions set forth above within 10 days of the giving of notice.

5. Subordination. Lender and Borrower acknowledge and agree that this Security Instrument is subject and subordinate in all respects to the liens, terms, covenants and conditions of the First Mortgage and to all advances heretofore made or which may hereafter be made pursuant to the First Mortgage, including all sums advanced for the purpose of (a) protecting or further securing the lien of the First Mortgage, curing defaults by the Borrower under the First Mortgage or for any other purpose expressly permitted by the First Mortgage or (b) constructing, renovating, repairing, furnishing, fixturing or equipping the Property. The terms and provisions of the First Mortgage are paramount and controlling, and they supersede any other terms and provisions hereof in conflict therewith. In the event of a foreclosure or deed in lieu of foreclosure of the First Mortgage, any provisions herein or any provisions in any other collateral agreement restricting the use of the Property to low or moderate income households or otherwise restricting the Borrower's ability to sell the Property shall have no further force or effect on subsequent owners or purchasers of the Property. Any person, including his successors or assigns (other than the Borrower or related entity of the Borrower), receiving title to the Property through a foreclosure or deed in lieu of foreclosure of the First Mortgage shall receive title to the Property free and clear from such restrictions.

Further, if the Senior Lien Holder acquires title to the Property pursuant to a deed in lieu of foreclosure, the lien of this Security Instrument shall automatically terminate upon the Senior Lien Holder's acquisition of title, provided that (i) the Lender has been given written notice of a default under the First Mortgage and (ii) the Lender shall not have cured the default under the First Mortgage, or diligently pursued curing the default as determined by the Senior Lien Holder, within 60-day period provided in such notice sent to the Lender.

6. Hazard or Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval, which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with paragraph 8.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgagee clause. All requirements hereof pertaining to insurance shall be deemed satisfied if the Borrower complies with the insurance requirements under the First Mortgage. All original policies of insurance required pursuant to the First Mortgage shall be held by the Senior Lien Holder; provided, however, Lender may be named as a loss payee as its interest may appear and may be named as an additional insured. If Lender requires, Borrower shall promptly give to Lender copies of all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier, the Senior Lien Holder and Lender. Lender may make proof of loss if not made promptly by the Senior Lien Holder or the Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If

the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. If Borrower abandons the Property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraph 1 and 2 or change the amount of the payments. If under paragraph 23 the Property is acquired by Lender, Borrower's rights to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to acquisition.

Notwithstanding the above, the Lender's rights to collect and apply the insurance proceeds hereunder shall be subject and subordinate to the rights of the Senior Lien Holder to collect and apply such proceeds in accordance with the First Mortgage.

7. Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of this Security Instrument. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Security Instrument or Lender's security interest. Borrower may cure such a default and reinstate as provided in paragraph 19, by causing the action or proceeding to be dismissed with a ruling that in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Security Instrument or Lender's security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning (i) Borrower's occupancy of the Property as a principal residence and (ii) Borrower's income. If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

8. Protection of Lender's Rights in the Property. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect the Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), the Lender may do and pay for whatever is necessary to protect the value of the Property and the Lender's rights in the Property. Lender's actions may include paying any sums by a lien, which has priority over this Security Instrument (including sums secured by the First Mortgage), appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 8, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 8 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

Prior to taking any actions under this Section 8, however, Lender shall notify the Senior Lien Holder of such default in the manner provided in Section 23 of this Security Instrument, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Security Instrument. All amounts advanced by the Senior Lien Holder to cure a default hereunder shall be deemed advanced by the Senior Lien Holder and shall be secured by the

First Mortgage. In addition, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days prior written notice. Any action by Lender hereunder to foreclose or accept a deed in lieu of foreclosure shall be subject to the "due on sale" provisions of the First Mortgage.

Lender and Borrower further agree that a default hereunder shall constitute a default under the First Mortgage. In the event of a default hereunder, the Senior Lien Holder shall have the right to exercise all rights and remedies under the First Mortgage.

9. Mortgage Insurance. If Lender required mortgage insurance as a condition of making the loan secured by this Security Instrument, Borrower shall pay the premiums required to maintain the mortgage insurance in effect. If, for any reason, the mortgage insurance coverage required by Lender lapses or ceases to be in effect, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the mortgage insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the mortgage insurance previously in effect, from an alternate mortgage insurer approved by Lender. If substantially equivalent mortgage insurance coverage is not available, Borrower shall pay to Lender each month a sum equal to one-twelfth of the yearly mortgage insurance premium being paid by Borrower when the insurance coverage lapsed or ceased to be in effect. Lender will accept, use and retain these payments as a loss reserve in lieu of mortgage insurance. Loss reserve payments may no longer be required, at the option of the Lender, if mortgage insurance coverage (in the amount and for the period that Lender requires) provided by an insurer approved by Lender again becomes available and is obtained. Borrower shall pay the premiums requires to maintain mortgage insurance in effect, or to provide a loss reserve, until the requirement for mortgage insurance ends in accordance with any written agreement between Borrower and Lender or applicable by law.

10. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for inspection.

11. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender, subject to the terms of the First Mortgage.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemner offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due.
Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraph 1 and 2 or change the amount of such payments.

12. Borrower not Released; Forbearance By Lender Not a Waiver. Extension of time for payment or modification of amortization of the sums secured by the Security Instrument granted by Lender to any successor in

interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

13. Successors and Assigns Bound; Joint and Several Liability; Co-Signers. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns the Lender and Borrower, subject to the provisions of paragraph 18. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey the Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent; provided, however, that such modification or accommodation shall not be made without the prior written consent of the Senior Lien Holder.

14. Loan Charges. If the Loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then; (a) any such loan charges shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from the Borrower which exceed permitted limits will be refunded to Borrower. Lender may chose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

15. Notices. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice required to be given to Senior Lien Holder shall be given by first class mail to the following address:

Arkansas Development Finance Authority

900 West Capitol, Suite 310

Little Rock, Arkansas 72201

or such other address the Senior Lien Holder designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

16. Governing Law; Severability. This Security Instrument shall be governed by federal law and the laws of the State of Arkansas. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

17. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Security Instrument.

18. Transfer of the Property or a Beneficial Interest in Borrower. Except for a conveyance to the Senior Lien Holder under the First Mortgage, if all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

If Lender exercises this option, Lender shall give Borrower and the Senior Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 8 above, Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days prior written notice.

The Borrower and the Lender agree that whenever the Note or this Security Instrument gives the Lender the right to approve or consent with respect to any matter affecting the Property (or construction of any improvements thereon) or otherwise (including the exercise of any "due on sale" clause), and a right of approval or consent with regard to the same matter is also granted to the Senior Lien Holder pursuant to the First Mortgage, the Senior Lien Holder's approval or consent or failure to approve or consent, as the case may be, shall be binding on the Borrower and the Lender.

19. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that the Borrower: (a) pays the Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 18.

20. Sale of Note; Change of Loan Servicer. The Note or a partial interest in the Note (together with this Security Instrument) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Security Instrument. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change in accordance with paragraph 15 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

21. No Assignment. Until the loan secured by the First Mortgage has been satisfied in full, the Lender and the Borrower agree that the Note and the Security Instrument will not be assigned without the Senior Lien Holder's prior written consent.

22. Hazardous Substances. Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, or allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage of the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit, or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law.

Prior to taking any such remedial action, however, the Borrower shall notify the Senior Lien Holder that such remedial action is necessary and shall obtain the Senior Lien Holder's prior written consent for such remedial action.

As used in paragraph 22, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances; gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 22, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

Borrower and Lender further covenant and agree as follows:

23. Acceleration; Remedies. Lender shall give notice to Borrower and the Senior Lien Holder prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower (and with respect to the Senior Lien Holder, 60 days from the date the notice is given to the Senior Lien Holder), by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by the Borrower on or before the date specified in the notice, and the Senior Lien Holder has not exercised its right to cure the default, then Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 8 above, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days prior written notice. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 23, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall mail copies of a notice of sale in the manner prescribed by applicable law to Borrower, the Senior Lien Holder and to the other persons prescribed by applicable law. Lender shall publish the notice of sale by public advertisement for the time in the manner prescribed by applicable law. Lender, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Lender determines. Lender may postpone sale of all or any parcel of the Property to any later time on the same date by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

Lender shall deliver to purchaser Lender's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Lender's deed shall be prima facie evidence of the truth of the statements made therein. Lender shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

24. Release. Upon payment of all sums secured by this Security Instrument, Lender shall release this Security Instrument without charge to Borrower. Borrower shall pay any recordation costs.

25. Modification of First Mortgage Loan Document. The Lender consents to any agreement or arrangement in which the Senior Lien Holder waives, postpones, extends, reduces or modifies any provisions of the First Mortgage Loan Documents, including any provisions requiring the payment of money.

BY SIGNING BELOW, the Borrower and the Lender accept and agree to the terms and covenants contained in this Security Instrument.

BORROWERS:

(x)_____

BORROWER

(Borrower's Typed Name)

(x)_____

SPOUSE OF MARRIED

(Borrower's Typed Name)

ACKNOWLEDGMENT OF BORROWERS

State of Arkansas)
)ss.
County of NAME)

On this_____ day of _____, 2_____, before me, the undersigned duly commissioned Notary Public, within and for said County and State, appeared the within named BORROWER/CO-BORROWER AND SPOUSE(S) IF MARRIED to me personally known as the grantor in the foregoing Mortgage, and acknowledged that he/she signed, executed and delivered the same on the day and the year therein mentioned and set forth.

Witness my hand and notarial seal this _____ day of _____, 2_____.

_____
Notary Public

My commission Expires:

_____
(SEAL)

LEGAL DESCRIPTION REQUIRED

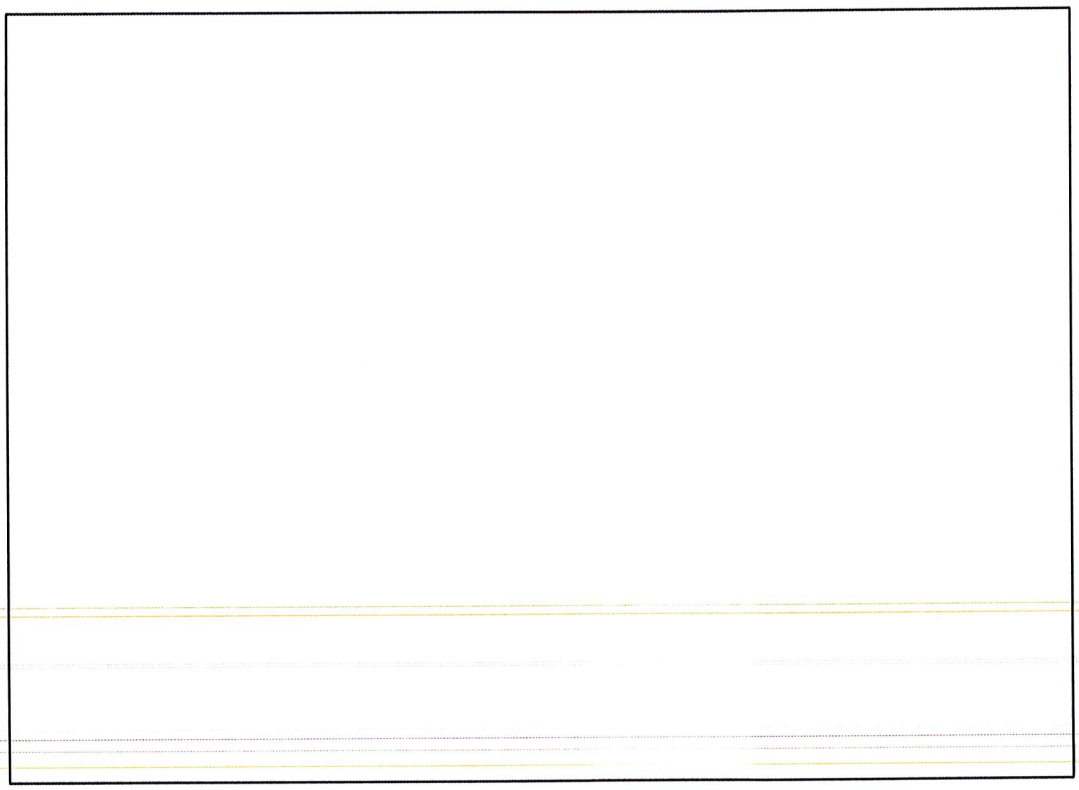
EXHIBIT A
PROPERTY DESCRIPTION

_____, 2 _____
Settlement Date

_____ _____
Property Address Name of Borrower

_____ _____
City, State, Zip code Name of Borrower

Legal Description:



Arkansas Development Finance Authority HOME Investment Partnerships Program Homebuyer Assistance Document Checklist

COMPLETE ALL FIELDS IN THIS BOX

Borrower: Phone#:

Buyer's Realtor's Name: Phone#:

Seller's Realtor's Name: Phone#:

Income Limit (maximum):$ Household Size: COUNTY:

Borrower's Total Household Income: $

Property Address:

Please send the following items to ADFA for review/approval prior to setting a closing date

Identify the closing agent/title company (this can be written in)

Notice to Homebuyer (Homebuyer may sign at closing) Should be an original signature(s)

N/A Application for HOME Assistance

Uniform Residential Loan Application (1003)

Loan Estimate (Dated within 3 business days of application)

Commitment Letter from Mortgagee Same as DU

Verification ofEmployment/Income (current income/check stub) VOE or Verbal with 2 paystubs from the last 30 days

Can use Tax Transcripts and Wage and Income statements from IRS for the last 2 years

Federal Tax returns with W-2's for last two years (if applicable)

Real Estate Contract (executed copy) All Pages

Appraisal All pages

Homebuyer Counseling Certificate Signed by Home Buyer Counselor and good for 12 months from issue date

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
AMERICAN DREAM DOWNPAYMENT INITIATIVE (ADDI) HOME PROGRAM
Notice to Homebuyer

You have submitted an application for a down payment assistance loan funded by the Arkansas Development Finance Authority (ADFA) through the HOME Investment Partnerships Program (HOME).

If this assistance to buy a home is provided, there will be special conditions in your agreement with us and in the mortgage securing our loan. These conditions are required by federal HOME Investment Partnerships Program ("HOME Program") regulations. We want to make sure you have been informed of the regulations, which are as follows:

- Qualified borrower(s)' household income cannot exceed 80% of Area Median Income by county adjusted for the number of persons in the household.
- The borrower(s) must attend an 8-hour ADFA-Approved Homebuyer Counseling Class
- HOME Program Regulations require the home to be owner-occupied as the borrower's principal residence during the "Affordability Period". The Affordability Period is as follows: Under $15,000 – 5 years; $15,000 to $40,000 – 10 years. The down payment assistance loan will be forgiven in equal monthly installments during the Affordability Period.
- If you do sell the house within the Affordability Period, ADFA will recapture the amount of HOME funds that have not been forgiven during the Affordability Period from the net sales proceeds.
- Borrower(s) are responsible for satisfying all HOME Program regulation requirements during the Affordability Period, including proper maintenance of the residence and payment of all taxes and insurance. If you do not abide by the terms and conditions of the HOME Program, you will be in default and recapture or foreclosure proceedings may be initiated.
- In order to receive the assistance, you must execute a Promissory Note(s) Subordinate Mortgage(s) and HOME Homebuyer Downpayment Assistance Agreement. The Subordinate Mortgage will constitute a second lien, and any subordinate mortgage for rehabilitation, if applicable, will constitute a third lien.
- ADFA inspectors will perform Housing Quality Standards (HQS) Inspections on all homes. **This is not intended to replace a home inspection by a state licensed home inspector.** If the home is pre-1978, ADFA will require a certified person or entity to perform a Lead-based Paint inspection and Risk Assessment (if applicable) to determine if lead-based paint hazards are present. This must be addressed prior to closing the loan. There is no charge to the borrower(s) for these inspections. The Subordinate Mortgage will constitute a second lien, and any subordinate mortgage for rehabilitation (if applicable) will constitute a third lien.

By signing below, you understand each of the foregoing conditions and affirm that they have been fully explained to you.

_____ Borrower

_____ Date

ADDI Application Exhibit but can be signed at closing. Original signature(s) required

_____ Borrower

_____ Date

_____ Lender

_____ Date

LENDER TO SIGN THIS FORM

ADDI Closing Stacking Order. Fields auto populate when printing form IRS

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

ADDI REQUIRED CLOSING DOCUMENTS

Mail To: Single Family AR Development Finance Auth. — P.O. Box 8023, Little Rock, AR 72203-8023

Name of Lending Institution	ADDI Number
Mailing Address-P.O.Box or Street & Number	ADFA Lender Number
F	
City/State/Zip Code	Telephone Number Fax Number
Contact Person for This Loan	Email Address

NAME OF BORROWER: _____
(Last Name) (First Name) (M.I.)

NAME OF CO-BORROWER: _____
(Last Name) (First Name) (M.I.)

PROPERTY ADDRESS: _____
(Street & Number) (As on Note and Mortgage)

_____
(City/State/Zip Code)

PACKAGE TO INCLUDE $10 ADDI FUNDING FEE PAYABLE TO ADFA

Documents for closing package:

- ___ Original ADDI Promissory Note
- ___ Original recorded ADDI Subordinate Mortgage (or copy with the original to follow after recorded)
- ___ Original recorded ADDI Mortgage Subsidy Deferred Note Agreement (or copy with the original to follow after recorded)
- ___ Original ADDI Closing Disclosure (dated to follow TRID regulations)
- ___ Copy of title commitment
- ___ Copy of insurance binder to show ADFA as 2nd mortgagee (Mortgagee Clause: ADFA, ISAOA/ATIMA, 900 W Capitol Suite 310, Little Rock, AR 72201
- ___ Copy of flood certification

PROMISSORY NOTE – FORGIVABLE
ARKANSAS DEVELOPMENT FINANCE AUTHORITY
HOME PROGRAM (ADDI)

$ LOAN AMOUNT **DATE:** CLOSING DATE

FORGIVABLE: **$** NUMERIC AMOUNT
FORGIVEABLE SUM: ALPHA AMOUNT
FORGIVABLE INSTALLMENTS: **60**
MAKER: BORROWER/CO-BORROWER NAME
COUNTY: NAME
STREET ADDRESS: PROPERTY ADDRESS
AR
LEGAL DESCRIPTION: **Attachment "A"**

FOR GOOD AND VALUABLE CONSIDERATION RECEIVED, the undersigned, Maker, BORROWER/CO-BORROWER NAME(S) promise(s) to pay to the order of ARKANSAS DEVELOPMENT FINANCE AUTHORITY, the sum indicated above, without discount or defalcation.

Maker shall have the right of prepayment at any time.

Principal under this note shall be payable at Arkansas Development Finance Authority, 900 West Capitol Avenue, Suite 310, Little Rock, Arkansas 72201, or such other place as the holder may designate in writing.

The payment of this note is secured by a mortgage of even date herewith upon property situated in NAME County, Arkansas.

The Maker hereof agrees to indemnify the holder of this note for all costs and reasonable attorney's fees incurred for services actually rendered in the collection of this note.

This note shall be forgiven in the amount of each month's installment as long as the marker hereof, for the following number of years, complies with the HOME ADDI Program Requirements.

Should the Maker hereof become out of compliance with the HOME ADDI Program Requirements, (maintaining home as primary residence, non-payment of real estate taxes, failure to maintain property insurance, etc.) all unforgiven installments will be become due immediately.

ORIGINAL SIGNATURES. ORIGINAL NOTE TO BE RETURNED TO ADFA

Maker, SIGNATURE **DATE**

Maker, SIGNATURE **DATE**

Legal Description required

Exhibit A

Legal Description

ADDI Mortgage. Original recorded document to be forwarded to ADFA ASAP after closing

MORTGAGE

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
HOME PROGRAM (ADDI)

THIS INSTRUMENT PREPARED BY:
ARKANSAS DEVELOPMENT FINANCE AUTHORITY
P.O. BOX 8023
LITTLE ROCK AR 72203-8023

Borrower name including spouse if married **, MORTGAGOR**

PRIMARY INDEBTEDNESS:
$ NUMERIC LOAN AMOUNT

PRIMARY INDEBTEDNESS:
ALPHA LOAN AMOUNT

This Mortgage shall be forgiven in the amount of one-sixtieth (1/60) the Sum each month for five (5) years as long as the Mortgagor hereof complies with the HOME ADDI Program Requirements:

KNOW ALL MEN BY THESE PRESENTS:

That "MORTGAGOR", whether one or more, for valuable consideration, hereby grants, bargains, sells, conveys and delivers unto ARKANSAS DEVELOPMENT FINANCE AUTHORITY (hereinafter called "MORTGAGEE,"), and unto its successors and assigns, the following described property situated as indicated below, to wit:

LEGAL DESCRIPTION: Attachment "A"

This Mortgage also conveys all buildings and improvements now or at any time hereafter located on any land herein above described.

TO HAVE AND TO HOLD the same unto ARKANSAS DEVELOPMENT FINANCE AUTHORITY, and its successors and assigns forever.

And MORTGAGOR covenants with MORTGAGEE, its successors and assigns, that MORTGAGOR will forever warrant and defend the title to all said property against all lawful claims whatever.

PROVIDED, however, the foregoing conveyance is given as a Mortgage for the purpose of securing the following:

(a) The Payment of a promissory note, of even date herewith, and all successive extensions and renewals of the indebtedness represented thereby, evidencing a principal indebtedness (which indebtedness, and all extensions and renewals thereof is hereinafter called the "Primary Indebtedness" as indicated above from date until maturity.

(b) Also, the payment of all future and additional indebtedness, direct or indirect, created after the date of this mortgage, which may be owing by MORTGAGOR (or by any of the persons herein designated under the term ("MORTGAGOR") to the holder of the Primary Indebtedness at any time prior to the payment in full with interest of the Primary

Indebtedness or the foreclosure of this mortgage therefor (the event occurring first to be controlling); such additional indebtedness to be secured hereby regardless of whether it shall be predicated upon future loans or advances hereafter made by the holder(s) of the Primary Indebtedness, or obligations hereafter acquired by such holder(s) through assignment or subrogation or otherwise, or shall represent indirect obligations (created after the date of this mortgage) based upon any endorsements, guaranties or suretyship AND IT IS AGREED THAT THIS MORTGAGE SHALL STAND AS SECURITY FOR ALL SUCH FUTURE AND ADDITIONAL INDEBTEDNESS WHETHER IT BE INCURRED FOR ANY BUSINESS PURPOSE THAT WAS RELATED OR WHOLLY UNRELATED TO THE PURPOSE OF THE ORIGINAL LOAN, OR WHETHER IT WAS INCURRED FOR SOME PERSONAL OR NON-BUSINESS PURPOSE, OR FOR ANY OTHER PURPOSE RELATED OR UNRELATED, OR SIMILAR OR DISSIMILAR, TO THE PURPOSE OF THE ORIGINAL LOAN.

Also, the repayment to the holder(s) of the indebtedness secured hereby of all reimbursable expense at any time accruing to such holder(s) under the provisions of Paragraph (3) hereof.

Upon the payment of all such sums and compliance with the HOME ADDI Program Requirements for the period specified in the note, this Mortgage will become void and will be released by a proper marginal notation or, at the option of the holder(s) of the secured debt, by a release deed to be recorded at the expense of MORTGAGOR.

(1) MORTGAGOR agrees:

(a) To pay, prior to delinquency, all taxes, special improvement assessments and other governmental charges against the mortgaged property, both real and personal, at any time levied or becoming due.

(b) To carry insurance upon all insurable property encumbered hereby against such hazards, in such amounts and under such form of policies, as shall be acceptable to, or requested by, the holder(s) of the indebtedness secure hereby; each insurance policy to carry mortgage clause in favor of such holder(s), and each policy to be delivered to and held by such holder(s). Also to carry public liability insurance and insurance against other hazards, to such extent as may be requested by the holder(s) of the secured indebtedness. In each instance, Mortgagor shall have the right to select the insurer, subject to Mortgagee's right to reject the proposed insurer for reasonable cause.

(c) To prevent the mortgaged property from becoming encumbered by any lien or charge having priority over, or on a parity with, the lien of this Mortgage; and to comply with all statutes, ordinances and regulations relating to such property.

(d) To protect the mortgaged property from waste, injury or unusual deterioration and, without subjecting the property to any statutory lien, to make all replacements and repairs necessary to keep the mortgaged property in good physical condition.

(2) The holder(s) of the Primary Indebtedness or any future or additional indebtedness secured hereby (whether such indebtedness then be evidenced by the original note(s) or by any instrument(s) given in renewal or extension of such indebtedness) may, at the option of such holder(s), declare the entire unmatured portion of all indebtedness secured hereby to be immediately due and payable, and the same shall forthwith become immediately due and

payable (which acceleration of maturity may be accomplished without notice to anyone), in any one of the following events:

(a) Upon the filing or a voluntary or involuntary petition to subject MORTGAGOR (or any party obligated as maker, endorser, surety or guarantor for the payment of the secured indebtedness) to any bankruptcy, debt-adjustment, receivership or other insolvency proceeding.

(b) Upon the occurrence of any event which, under the terms of the instrument at any time evidencing the indebtedness secured hereby warrants acceleration (at the option of the payee) of the maturity of said indebtedness.

(c) If default shall be made in the payment of any part of the principal indebtedness secured hereby as the same becomes due and payable according to the terms of the original note(s), or of any extension or renewal thereof at any time evidencing such indebtedness.

(d) If MORTGAGOR shall fail to comply with any of the agreements contained in Paragraph (1) of this mortgage.

(e) If at any time it shall appear that any financial statement or other representation made to obtain the loan secured hereby is materially incorrect or that MORTGAGOR'S title to the mortgaged property, or any portion thereof, is subject to any prior lien, title or interest not mentioned in this mortgage as a prior encumbrance.

(f) If at any time MORTGAGOR shall sell or convey the title to or any interest in any realty mortgaged hereunder without the prior written consent of the holder(s) of the secured indebtedness.

(g) If MORTGAGOR breaches the Mortgagor Mortgage Subsidy Deferred Note Agreement between MORTGAGOR and MORTGAGEE, it is particularly understood that the foregoing acceleration provisions will be applicable not only to the maturates recited in the original mortgage note(s) but also to any substituted maturates created by extension or renewal. The failure of the holder(s) of the secured indebtedness to declare any acceleration of maturates when a ground therefore exists, even though such forbearance may be repeated from time to time, will not constitute a waiver of the right of such holder(s) to accelerate maturates upon a reoccurrence of the same ground therefore, nor will the act of such holder(s) in remedying any condition resulting from MORTGAGOR's default bar the holder(s) from declaring an acceleration of maturates by reason of such defaults.

(3) If the holder(s) of the indebtedness secured hereby shall expend any sum for the protection of any of the mortgaged property or the lien of this mortgage (such holder(s) to have uncontrolled discretion as to the necessity of making any such expenditures), the repayment of such sum or sums on demand shall be the personal obligation of MORTGAGOR; and such obligation to repay will constitute a part of the indebtedness secured hereby. The expenditures thus made reimbursable will include (without limiting the foregoing) taxes, special improvement assessments, insurance premiums, repairs and maintenance expenses, sums paid to discharge prior liens, etc. The cost of any abstract, title commitment, or appraisal procured by the holder(s) of the secured indebtedness to facilitate foreclosure will also constitute a part of the reimbursable expense secured hereby.

(4) In the event of default hereunder the holder(s) of the indebtedness secured hereby shall be entitled to elect one of the following remedies:

(a) Pursuit of any and all remedies provided by judicial proceedings and non-judicial remedies, including self-repossession, or at its option may:

(b) Foreclosure of this Mortgage in compliance with Act 53, "The Statutory Foreclosure Act of 1987" by public sale to the highest bidder for case, on the premises or at the main door of the Courthouse of the County in which the subject real property is located, public notice of the time, terms and place of sale having been given thirty (30) days by publication in some newspaper, published in said County, once a week for four (4) consecutive weeks prior to the date of sale, the final publication to be no more than seven (7) days prior to the sale, which advertisement shall be sufficient for the purposes of foreclosure. THE OWNER OF THE NOTE SECURED HEREBY MAY BECOME A PURCHASER AT SUCH SALE. No bid shall be accepted that is less than two-thirds (2/3) of the entire indebtedness due at the date of the sale. Notice required under Act 53 of 1987 will be directed to the MORTGAGOR at the following address supplied by MORTGAGOR, to wit:

BORROWER NAME
spouse if married
Property Address including Zip Code

(c) Election of either (a) or (b) by MORTGAGEE is irrevocable and MORTGAGEE may not at any time subsequent to commencement of the proceedings terminate such proceedings and proceed with any other remedy.

(d) Such holder(s) may enforce the lien of this mortgage in respect to any or all property encumbered hereby (1) either separately or in bulk, in such order as MORTGAGEE, in is sole discretion, shall direct, including at any judicial or non-judicial sale; and (2) by proceedings that are prosecuted simultaneously or are prosecuted separately in such order as the holder(s) may elect.

(5) MORTGAGOR releases all rights of dower, courtesy, homestead and appraisement hereunder and also releases unto MORTGAGEE all right of redemption under the laws of Arkansas, including particularly all right of redemption under Act No. 53 of May 8, 1989, and amendments thereto currently codified as Arkansas Code Ann. 18-49-106.

EXECUTED on this _____ day of CLOSING DATE, 20__.

MORTGAGOR SIGNATURE
Printed Name: BORROWER NAME

MORTGAGOR SIGNATURE
Printed Name: spouse if married

ACKNOWLEDGMENT

STATE OF ARKANSAS

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally appeared BORROWER NAME _____ SPOUSE IF MARRIED _____ known to be the persons whose names are subscribed to the foregoing instrument as MORTGAGOR and acknowledged to me that they executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this _____ day of CLOSING DATE _____, 20____.

_____
NOTARY PUBLIC

My Commission Expires: _____

Legal Description Required

Attachment A

Legal Description

ADDI Deferred Note Agreement Example. Original recoarded document to be forwarded to ADFA ASAP after recording.

MORTGAGOR MORTGAGE SUBSIDY
DEFERRED NOTE AGREEMENT (ADDI)

THIS AGREEMENT made this _____ day of closing date 20___, by and between BORROWER NAME and _____(hereinafter referred to as the "Mortgagor" (whether singular or plural), and the **Arkansas Development Finance Authority** hereinafter referred to as "Mortgagee".) spouse if married

WHEREAS, the Mortgagee through the U.S. Department of Housing and Urban Development ("HUD"), pursuant to the HOME Investment Partnerships Act, 24 CFR Part 92, and hereinafter referred to as the HOME Program; and

WHEREAS, the Mortgagor acquiring the property described in Paragraph One (1) below, will be using funds provided by Mortgagee.

NOW, THEREFORE, in consideration of the mortgage subsidy provided by Mortgagee to acquire the following property; the Mortgagor covenants and agrees as follows:

1. Homebuyer Program funds in the amount of ALFA SPELLED OUT ($ numeric) have been provided by Mortgagee to or for the benefit of the Mortgagor to acquire the property, (hereinafter called the "Property"), located at property address, in the City of _____, county name County, Arkansas, more specifically described as follows:

   Legal Description: **See Attachment "A"**

2. The Mortgagor has entered into this Agreement for the purchase of a single-family property for use as their principal residence, and which involves financial assistance available through the MORTGAGEE HOME Program.

3. The Mortgagor agrees and acknowledges that the mortgage subsidy shall be in the form of a non-interest bearing, non-amortizing, forgivable loan, secured by a deferred Note and second mortgage agreement. The loan will be forgiven over sixty (60) months in accordance with the Promissory Note. This Mortgage Subsidy Deferred Note Agreement and Mortgage will be executed and recorded to secure payment of the federal funds provided in the event of default of any of the following provisions and restrictions:

   a) The Property is subject to all affordability requirements under the HOME Investment Partnerships Program as contained in 24 CFR, Part 92, for a period of **five (5) years** from the date of execution of the Mortgage Subsidy Deferred Note Agreement and Mortgage.

   b) The Property must be continually owned, occupied, and maintained by the assisted Mortgagor as their principal residence for the full **five (5) year** affordability period.

   c) Mortgagor agrees that if the Property is sold, refinanced, subleased or otherwise conveyed without MORTGAGEE's prior consent or is not occupied as the Mortgagor's principal residence during the **five (5) year** affordability period, MORTGAGEE shall recapture the applicable pro rata amount of the total HOME funds provided for assistance.

   d) The above affordability restrictions shall terminate upon occurrence of any of the following events: foreclosure, transfer in lieu of foreclosure, or assignment of an FHA insured mortgage to HUD.

   e) The acquired property must meet minimum Housing Quality Standards (HQS) prior to closing.

4. Mortgagor understands and agrees that the applicable pro rata amount of total HOME funds invested in the property [$ numeric] shall be repaid to MORTGAGEE if, within **five (5) years** of acquisition of the property, if the property is sold or otherwise transferred to any purchaser or transferee.

5. Mortgagor understands and agrees that this Agreement shall be recorded in the office of the Circuit Clerk, county name County, State of Arkansas, and that this Agreement shall be a lien and encumbrance upon the title to this Property until released by MORTGAGEE or its Assigns.

6. It is understood that MORTGAGEE shall be entitled to any HOME Program proceeds recaptured under this Agreement.

7. Mortgagor agrees to have the HOME Program mortgage subsidy funds made payable to their Lender, in the event the Lender has advanced the Mortgagor funds to accomplish the closing.

8. This Agreement and lien shall be binding upon the Mortgagor and their heirs, devises, successors, and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the _____ day closing date, 20____.

_____
MORTGAGOR
Printed Name: BORROWER NAME

_____
CO-MORTGAGOR Spouse if married
Printed Name:

ACKNOWLEDGEMENT

STATE OF ARKANSAS

COUNTY OF

BEFORE ME, the undersigned Notary Public, on this day personally appeared, BORROWER NAME and spouse if married, known to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he had executed the same as Mortgagor, with authority for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ____ day of _____, 20___.

_____
NOTARY PUBLIC

My Commission Expires:

Legal Description Required

Exhibit A

Legal Description

MCC Submission Package Stacking Order

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

MCC CONDITIONAL COMMITMENT TRANSMITTAL CHECKLIST

Auto populated fields when printed from IRS

MCC Reservation Number: _____

Borrower: _____ **Co-Borrower**_____

Contact Person's Name: LENDER CONTACT NAME **Email:** LENDER CONTACT EMAIL ADDRESS

CONDITIONAL COMMITMENT PACKAGE:

___ MCC Transmittal Checklist

___ Lender Loan Approval

___ Original executed MCC Disclosure (Exhibit C)

___ Original executed MCC Application for Conditional Commitment,Certifications & Affidavit (Exhibit B)

___ Most recent one year federal tax returns with all schedules for all occupants of home over 18 years of age. **(Non-Targeted counties only)**

___ Tri-Merge Credit Report

___ Verification of employment and current pay stubs for all occupants of home over 18 years of age

___ Original executed Non-Borrower Occupant Income Affidavit (Exhibit I), if applicable

___ Appraisal

___ Copy of completed loan application

___ Copy of fully executed Real Estate Contract

___ Original executed Notice to Borrower(s) of Potential Recapture Tax (Exhibit A)

***** ADFA must receive the commitment package within 30 days of reservation date*****

Application Exhibit for MCC. Original signature(s) required

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

Mortgage Credit Certificate (MCC) Program

Notice To Borrower(s) of Potential Recapture Tax

Exhibit A

NOTE: This notice is to be reviewed and signed by all borrowers at time of application.

Because you are receiving a Mortgage Credit Certificate (MCC) with your mortgage loan, you are receiving the benefit of a dollar for dollar credit against your federal income tax liability. As a result, pursuant to Section 143 (m) of the Internal Revenue Code of 1986 (the "Code"), if you sell, exchange or otherwise dispose of your home (Disposition) during the next nine years a portion of this benefit may be recaptured by the Internal Revenue Service. "Recapture tax" is the repayment of a mortgage subsidy to the Internal Revenue Service. (See IRS Pub. 523)

You may wish to consult with a tax advisor or the local office of the Internal Revenue Service at the time of disposition of your home to determine the amount, if any, of the "recapture tax" you owe to the IRS. At this point in time, there is no way to predict the amount of "recapture tax" borrowers may be required to pay. Also, ADFA will not calculate the amount of "recapture tax" you may owe upon disposition of your home.

Factors which affect "recapture tax":

1. No recapture due if your household income is below the Federal qualifying limits at time of sale.
2. You may be subject to the "recapture tax" if a disposition of your home occurs within the first full nine years of your mortgage loan.
3. In no event may the amount of Recapture Tax exceed fifty (50%) percent of the gain on the sale or disposition of the property. The Recapture Tax also will never exceed the original mortgage loan amount times the holding percentage period shown in # 4 below.
4. The holding percentage period is determined based on the length of time you own your home prior to its disposition. The percentages are as follows:

Year One *** 1.25%	Year Four **** 5.00%	Year Seven **** 3.75%
Year Two *** 2.50%	Year Five **** 6.25%	Year Eight ***** 2.50%
Year Three ** 3.75%	Year Six ***** 5.00%	Year Nine ***** 1.25%

The maximum Recapture Tax amount is adjusted to reflect the holding period of the home that is financed. Other special rules may apply in particular circumstances, including, if you refinance your home. Again, we urge you to consult with a tax advisor or an office of the Internal Revenue Service if you refinance, sell or otherwise dispose of your home.

The Recapture Tax amount may also be reduced or eliminated based on a comparison of the Mortgagor's "modified adjusted gross household income" for the year in which the sale of the house takes place. The modified adjusted gross household income is equal to the federal adjusted gross household income increased by any earned tax exempt interest and decreased by the gain on the sale of the house. At closing, borrowers sign MCC Exhibit – P.

I understand and acknowledge the potential for Recapture Tax to apply to my Mortgage Credit Certificate as explained above.

(Borrower's Signature) (Date) (Co-Borrower's Signature) (Date)

EXHIBIT A

Application Exhibit for MCC. Original signatures(s) required. Fillable fields when printing from IRS.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM

Application For Conditional Commitment, Certifications & Affidavit

The undersigned hereby states and certifies as part of the application for a Mortgage Credit Certificate ("MCC") from the Arkansas Development Finance Authority ("ADFA") issuer, of such certificates under the Mortgage Credit Certificate Program, and as a material inducement to ADFA to issue such MCC to the undersigned in connection with the financing, through a lender of the undersigned's choosing, the purchase of a Single-Family Residence as follows:

Complete all fields

Borrower Legal Name: _____

Co-Borrower Legal Name: _____

Current Address: _____

PURCHASER OF SINGLE FAMILY RESIDENCE CERTIFICATION

I will be the purchaser and mortgagor of a new (☐) or existing (☐) Single Family residence located at:

Check the appropriate box

Street Address: _____

City/County/ Zip: _____

I will use the proceeds of the mortgage loan to purchase a home which is ( ) is not ( ) located in a Targeted County. The home is a private Single Family residence and will be occupied by me and my family. Neither the home nor the land will be used to provide a source of income.

Check appropriate

PRINCIPAL RESIDENCE CERTIFICATION

I intend to occupy the home as my principal residence within sixty (60) days from the date of the mortgage loan closing, and I will continue to occupy the home as my principal residence as long as I own the property. I have no intention to sell, lease, rent, assign or otherwise transfer or dispose of the home. I will notify Arkansas Development Finance Authority (ADFA) immediately in writing if and when the home ceases to be my principal residence. I understand that any MCC issued in connection with the home will be revoked if the home ceases to be my principal residence.

NEW MORTGAGE CERTIFICATION

No part of the mortgage proceeds will be used to acquire or replace an existing mortgage, and I did not have a mortgage (whether or not paid off) on the home at any time prior to the execution of this mortgage. This does not include a construction loan, bridge loan, or other temporary financing with a term of 24 months or less.

FEDERAL TAX RETURNS

True and correct copies of the most recent one year federal tax return are attached to this Affidavit. These tax returns are primarily used to verify First Time Homeownership status and not to verify household income.

☐ I have **NOT** filed, and was under no obligation to file, Federal tax returns for the following tax year: _____

☐ I have filed Federal tax returns for the most recent tax year.

Current tax year required for MCC with W'2's and or 1099's. Can use Tax Transcripts and Wage and Income Tax Transcripts for current tax year.

NO PARTICULAR LENDER

I understand that I may seek financing for the first mortgage loan from any lender of my choosing provided that the lender has signed the MCC Lender Participation Agreement required by Arkansas Development Finance Authority.

Exhibit B

ACQUISITION COST CERTIFICATION

Sales Price

The acquisition cost of the home, excluding any personal property separately purchased at fair market value, but including fixtures, is $ _____. Such acquisition cost reflects all amounts paid or to be paid in order to acquire the residence, plus reasonable costs of completing construction, if the residence is not finished, plus the capitalized value of ground rent, if the home is subject to a ground rent. The purchase price of the residence is as stated in the real estate contract. The real estate contract, and any other contracts and agreements in connection with the purchase and occupancy of the residence between myself and anyone acting directly or indirectly on my behalf and the seller, or anyone acting directly or indirectly on behalf of the seller are attached to this Affidavit. I understand that the applicable maximum purchase price allowable under the MCC Program is $250,000, or an amount that will be set by ADFA from time to time.

FIRST-TIME-HOMEBUYER CERTIFICATION

Unless the residence is located in a Targeted County, I hereby certify that I have not had a present ownership interest in a principal residence at any time during the three (3) year period prior to the date of application for the first mortgage loan. To the best of my knowledge, the same is true with respect to each person (if any) purchasing and mortgaging the residence with me.

I understand that for purpose of the foregoing, examples of interests which constitute present ownership interest (and thus would result in my not meeting such requirement) are as follows:

* A joint tenancy
* A tenancy in common
* A tenancy by the entirety
* A fee simple interest
* A life estate
* A community property interest
* The interest of a tenant shareholder in a cooperative
* A land contract or contract for deed
* A lease with the option to purchase for a nominal sum

INCOME CERTIFICATION

I understand that annual household income includes total gross income from all sources of all persons eighteen years of age or older that reside or intend to reside in the Single Family Residence to be financed with the proceeds of the mortgage loan. I certify that the gross annual household income is $ _____. The total number of all persons who will reside or intend to reside in this Single Family residence is _____. The total number of all persons 18 years of age or older who will reside or intend to reside in this Single Family residence is _____.

Complete all three fields

TRANSFER OF THE MCC

I understand that I can not transfer any MCC issued in connection with this residence to any person who assumes my obligations under the mortgage (and related mortgage notes) without the express written approval of ADFA. A new MCC may be issued by ADFA to such person(s) following completion of all necessary documents evidencing such persons qualification as an eligible mortgagor under the MCC Program.

CONSEQUENCES OF FALSE STATEMENTS

I acknowledge and understand that this Affidavit will be relied upon for purposes of determining my eligibility for an MCC. I acknowledge that a material misstatement negligently made by me in this application will constitute a federal violation punishable by a fine of $1,000, and that a material misstatement fraudulently made by me in this Affidavit or in any other statement in connection with application for the MCC will constitute a federal violation punishable by a fine of $10,000 . Any misstatement will result in a denial of my application for an MCC, or, if the MCC has been issued prior to the discovery of the false statement, immediate revocation of the MCC will occur. I further acknowledge that if any information or certification I provide contains a material misstatement which is due to fraud, then any MCC issued will automatically become null and void without any need for further action on the part of the Arkansas Development Finance Authority.

I, Borrower(s) name(s) _____, certify the information contained in this Affidavit to be true and correct to the best of my knowledge.

Borrower: _____ Date: _____

Co-Borrower: _____ Date: _____

Original signature(s) required

MCC Application Exhibit. Original Signature(s) and Notary Required. Fillable fields when printed from IRS

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
MORTGAGE CREDIT CERTIFICATE (MCC)
DISCLOSURE

STATE OF ARKANSAS) **MCC Reservation Number** MCC Loan # _____

COUNTY OF NAME **)**

1. I understand and agree that the Mortgage Credit Certificate (MCC) will be automatically revoked and I will no longer be entitled to claim the credit if I sell the single family residence or if I no longer use it as my principal residence.

2. I understand and agree that no MCC will be issued in connection with the replacement of an existing mortgage held by me on my principal residence.

3. I have been advised that the value of the MCC varies according to my Federal tax liability and acknowledge that I have been advised to consult a tax accountant for advice. I understand that neither ADFA nor the lender make any representations regarding the value of the credit to me. I understand that the MCC will reduce my Federal tax liability based on the amount of mortgage interest paid for the tax year.

4. I understand and agree that changed conditions in acquisition cost, household income, and other program requirements may disqualify me at closing from receiving an MCC although at the time of application I was eligible to receive a certificate.

5. I understand and agree that the lender will decide upon my eligibility to receive the mortgage loan and set all loan terms and that ADFA will not be involved in the credit process. I understand and agree that ADFA will not inspect the property for defects nor will ADFA underwrite the loan. I therefore agree to hold Arkansas Development Finance Authority harmless from any action or inaction on the part of the lender, seller, contractors or other involved parties.

6. I understand and agree that any material misstatement contained in this application and any other MCC Program documents negligently made by me constitutes a Federal violation punishable by a $1,000 fine and that a material misstatement fraudulently made constitutes a Federal violation punishable by a $10,000 fine and any other criminal penalty imposed by law. If such misstatement is discovered prior to the issuance of the MCC, my application will be denied. If such misstatement is discovered following issuance of the MCC, the MCC will be revoked.

I Borrower(s) Name(s) _____ **acknowledge that I have read and understand the terms stated above and that all information provided to the lender and ADFA is true and correct to the best of my knowledge.**

_____ _____ _____ _____
(Borrower's Signature) (Date) (Co-Borrower's Signature) (Date)

_____ _____
(Notary Public's Signature) (Date)

_____
(Expiration Date Of Commission)

Seal

EXHIBIT C

MCC Application Exhibit for Non-Borrower(s). Use one Exhbit I for each person over the age of 18 years. Original signature(s) and Notary required

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM

Non-Borrower Occupant Income Affidavit

Exhibit I

The undersigned, Name _____ duly states under oath that:

1. I intend to be an occupant of the residence located at: Property Address _____

2. My gross monthly income is $ fill in amount _____ (Gross monthly income is the sum of monthly gross pay, any additional income from overtime, part-time employment, bonuses, commissions, dividends, income from assets, interest, royalties, shift differential, pensions, VA compensation, net rental income and other income such as alimony, child support, mileage, military allowance, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts and income received from business activities or investments).

3. The latest year Federal Income Tax Return is required.

I am providing tax return with W-2's attached for the following year: for current year _____

I have **not** filed, and was under no obligation to file, the following tax year : _____

4. (Check Appropriate Response). I have ☐ I have not ☐ had a present ownership interest check appropriate box in a principal residence at any time during the three-year period prior to the date of executing the mortgage on the residence listed in paragraph 1 above.

I UNDERSTAND THAT FOR THE PURPOSES OF THE FOREGOING, EXAMPLES OF INTEREST WHICH CONSTITUTE A PRESENT OWNERSHIP INTEREST (AND THUS WOULD RESULT IN MY NOT MEETING SUCH REQUIREMENTS) ARE THE FOLLOWING:

a. A fee simple interest;
b. A life interest;
c. A joint tenancy, a tenancy in common, or a tenancy by the entirety;
d. The interest of a tenant-shareholder in a cooperative;
e. A land contract (i.e., a contract pursuant to which possession and the benefits of ownership transferred although a legal title is not transferred until some later date);
f. An interest held in trust for the mortgagor (whether or not created by the mortgagor) that would constitute ownership interest if held directly by the mortgagor;
g. A lease with an option to purchase for a nominal sum; and
h. An interest in a mobile home that has been, and is now, permanently affixed to real property.

EXAMPLES OF INTEREST WHICH DO **NOT** CONSTITUTE PRESENT OWNERSHIP INTEREST AND THUS WOULD NOT RESULT IN MY FAILING TO MEET THE REQUIREMENTS ARE AS FOLLOWS:

a. A remainder interest;
b. A lease without an option to purchase or a lease with an option to purchase at fair market value;
c. A mere expectancy to inherit an interest in a principal residence;
d. The interest that a purchaser of a residence acquires on the execution of a purchase contract;
e. An interest in other than a principal residence during the previous three years;
f. An interest in a mobile home that has **not** been, and is **not** now, permanently affixed to real property.

OCCUPANT _____

Name: _____
Date: _____

ACKNOWLEGMENT

STATE OF ARKANSAS)
COUNTY OF _____)

On this _____ day of _____, 20_____ , before me, a Notary Public within and for said County And State, personally appeared _____ to me known to be the The person(s) subscribed therein and who, being by me first duly sworn, executed the foregoing "Occupant Income Affidavit" , and acknowledged, deposed and said that he/she/they executed the same as his/her/their free act and deed and stated that the information and affidavit contained therein are true and correct.

IN WITNESS THEREOF, I have hereunto set my hand and seal this _____ day of _____ , 20___.

_____
Notary Public

My Commission Expires:

_____
(Seal)

Exhibit I

MCC Closing Package Stacking Order

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

MCC CLOSING PACKAGE TRANSMITTAL CHECKLIST

Auto populated fields when using IRS

MCC Reservation Number: _____

Borrower: _____ **Co-Borrower**_____

Contact Person's Name: LENDER CONTACT NAME **Email:** LENDER CONTACT EMAIL ADDRESS

CLOSING PACKAGE:

___ Check payable to ADFA for fees. (MCC Issuance Fee .50% of loan amount and $25 reservation fee)

___ Original Transmittal Checklist

___ Original executed Borrower's Closing Affidavit (Exhibit E)

___ Original executed Seller's Affidavit (Exhibit F)

___ Original executed Lender's Closing Certificate (Exhibit G)

___ Original executed Notice To Mortgagor For Determining If Recapture Tax Is Owed (Exhibit P), with applicable County Income Limit Page

___ Copy of Note

___ Copy of Mortgage/Deed of Trust

___ Copy of Closing Disclosure

ADFA must receive closing documents within 30 days of loan closing

MCC Closing Exhibit. Original signature(s) and Notary rquired

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM

BORROWER'S CLOSING AFFIDAVIT

STATE OF ARKANSAS)

COUNTY OF NAME)

I, the undersigned, as part of my application for a Mortgage Credit Certificate ("MCC") from the Arkansas Development Finance Authority ("ADFA"), the issuer of such certificates under the Mortgage Credit Certificate Program, and as a material inducement to ADFA to issue an MCC to the undersigned in connection with the financing (the mortgage loan), through a lender of the undersigned's choosing for the purchase of a single family residence being duly sworn state the following:

I executed an **Application For Conditional Commitment, Certifications & Affidavit (Exhibit B)** as part of my application for a Mortgage Credit Certificate on Loan Application Date.

(Check and complete Section (a) or (b), whichever applies.)

Check appropriate box

(a) ☐ I have reviewed the aforementioned **Application For Conditional Commitment, Certifications & Affidavit** and declare there has been no change in the statements therein and said statements remain true and accurate as of the date hereof.

(b) ☐ I have reviewed the aforementioned **Application For Conditional Commitment, Certifications & Affidavit** and declare that the following changes have occurred from the statements therein.

_____

_____

I acknowledge and understand that this Affidavit will be relied upon for purposes of determining my eligibility for an MCC. I further acknowledge that this MCC has been issued with reliance upon certifications contained in the Commitment Application and Affidavit, Sellers Affidavit and Lender's Participation Agreement stating that the requirements necessary for issuance of a qualified Mortgage Credit Certificate have been met.

I acknowledge and understand that any material misstatement negligently made in this Affidavit or any other statement made by me in connection with my application for an MCC will constitute a federal violation punishable by a fine of $1,000, and that a material misstatement fraudulently made by me in connection with my application for an MCC will constitute a federal violation punishable by a fine of $10,000 and revocation of the MCC and any other criminal penalty imposed by law.

Borrower: _____

Co-Borrower: _____

Subscribed and sworn to before me this _____ day of _____, 20 _____.

_____
(Notary Signature)

_____
(Commission Expiration Date)

Seal

EXHIBIT E

MCC Closing Exhibit. Original signature(s) and Notary

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

MORTGAGE CREDIT CERTIFICATE PROGRAM

SELLER AFFIDAVIT

(TO BE EXECUTED AT CLOSING)

STATE OF ARKANSAS)
County of Name)

I, the undersigned, as an essential participant in the application for a Mortgage Credit Certificate ("MCC") being submitted by Borrower(s) Name(s) ("the Buyer"), which MCC may be issued by the Arkansas Development Finance Authority ("ADFA") pursuant to the Mortgage Credit Certificate Program in connection with the Buyers purchase of a qualified single family residence state the following:

1. I certify that I am the Seller of the subject qualified residence.
2. I certify that the total amount to be paid to me, or anyone acting on my behalf, in connection with the purchase of subject residence is $ Sales Price , excluding all usual and reasonable settlement or financing costs.
3. I certify that the subject property is a qualified duplex and the structure was first occupied as a residence At least 5 years before the execution of the mortgage.

The residence is located in the State of Arkansas, County of Name at the following address: Street: _____, City: _____, AR Zip: _____. Complete property address

I acknowledge and understand that this Affidavit will be relied upon for the purpose of determining the Buyer's eligibility for a Mortgage Credit Certificate (MCC). I acknowledge that a material misstatement negligently made in this Affidavit or in any statement made by me in connection with the Buyer's application for a Mortgage Credit Certificate will constitute a federal violation punishable by a fine of $1,000 and that a material misstatement fraudulently made by me in this Affidavit or any statement in connection with the Buyer's application for a Mortgage Credit Certificate will constitute a federal violation punishable by a fine of $10,000, revocation of the Mortgage Credit Certificate and any other criminal penalty imposed by law.

Seller's Signature: _____ Date: _____

Seller's Signature: _____ Date: _____

Subscribed and sworn to before me this _____ day of _____, 20___.

Notary Signature: _____

Commission Expiration Date: _____

Seal

EXHIBIT F

MCC Closing Exhibit. Original signature. Can be Loan Officer, Processor or Closer signature.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM

LENDER CLOSING CERTIFICATE

I _____ ("Name of Lender") state the following: The Lender has received a Commitment Application and Affidavit submitted by:

Compete all fields

Name _____ ("Mortgagor") Name _____ ("Co-Mortgagor")

SS# _____ SS# _____

The **Application For Conditional Commitment, Certifications & Affidavit** was submitted in connection with an application for financing ("the mortgage loan") of the purchase of a qualified single family residence located at:

_____ (Street), _____ (County), AR, _____ (Zip Code).

The Lender has also received and reviewed the **Seller Affidavit** submitted by the seller of the property shown above and finds no reason to question the truth or completeness of this Affidavit.

(Check Statement (a) or (b) regarding Federal Income Tax Returns)

(a.) ☐ The Lender has obtained a true, complete, signed copy of the most recent Federal Income Tax Return of the Mortgagors.

(b.) ☐ There is no requirement to obtain the Mortgagor's Federal Income Tax Return because the Residence is located in a Targeted County.

The Lender is not aware of any facts or circumstances that would cause it to question the truth or completeness of any portion of such **Application For Conditional Commitment, Certifications & Affidavit.** In the course of processing the documents concerning the Mortgagor's application prior to executing the mortgage, nothing has come to the Lender's attention which would lead it to believe that any information supplied by the Mortgagor's or any other party to this transaction is false or misleading.

After completion of all underwriting, investigation and verification the Lender has approved the mortgage loan in the amount of $ Loan Amount which is the Certified Indebtedness Amount. The property is a qualified single family residence located in the State of Arkansas, and the Borrowers have signed the **Application For Conditional Commitment, Certifications & Affidavit (Exhibit B)** in which he/she states that he/she intend to occupy the home as a primary residence within sixty (60) days from the date of the mortgage loan closing.

is reasonably expected to become the Mortgagor's principal residence within sixty (60) days after the date of the mortgage loan closing.

AFTER REASONABLE INVESTIGATION THE LENDER HEREBY CERTIFIES THAT:
The financing which the Mortgagors have received has not been used to acquire or replace an existing mortgage or land contract on the residence, unless the previously existing mortgage was a construction loan, bridge loan or other temporary financing none of which had an initial term in excess of twenty-four (24) months.

The Mortgagors did not receive any portion of the financing of this mortgage loan from a tax exempt mortgage revenue bond loan.

To the best knowledge of the Lender, based upon reasonable investigation and verifications, neither the Lender, the Mortgagor's, nor the Seller of the residence have made any negligent or fraudulent, material misstatements in connection with the Mortgagor's application for a Mortgage Credit Certificate (MCC). The Lender has completed and attached to this certification the Mortgage Credit Certificate Program Data Summary (AR MCC007) and believes the information to be true and accurate.

By: _____ (Name of Loan Originator) Date: _____

Title: _____

EXHIBIT G

MCC Closing Exhibit

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
ADFA ADVANTAGE
EXHIBIT 7-P

NOTICE TO MORTGAGOR OF INFORMATION REGARDING POTENTIAL RECAPTURE TAX

TO BE DELIVERED TO MORGAGOR AT TIME
OF SETTLEMENT OR ASSUMPTION OF MORTGAGE LOAN

Your mortgage loan has been financed with the proceeds of a tax-exempt qualified mortgage bond. As a result, pursuant to Section 143(m) of the Internal Revenue Code of 1986 (the "Code"), you may, at the time at which you resell the residence financed by the Mortgage Loan, be subject to a special "recapture tax" for federal income tax purposes. You should consult you tax advisor at the time of resale by you of the residence to determine the amount, if any, of such "recapture tax." The following information will assist you in determining the amount, if any, of "recapture tax."

Complete all fields

1. Name of Mortgagor: Borrower Name
2. Name of Co-Mortgagor: Co-Mortgagor if applicable
3. Date of Settlement of Mortgage Loan: Closing Date
4. Location of Residence: Property Address
5. Residence is located in a Targeted or Non-Targeted area.
6. Principal amount of Mortgage Loan on date of settlement: $Total Loan Amount.
7. Federally subsidized amount pursuant to Section 143(m)(4)(B) of the Code (6.25%): $_____. Multiply total loan amount by 6.25% and insert result here

A. Introduction

1. General. When you sell your home you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any reference in this notice to the "sale" of your home also includes other ways of disposing of your home. For instance, you may owe a recapture tax if you give you home to a relative.
2. Exceptions. In the following situations, no recapture tax is due and you do not need to do the calculations:

   (i) You dispose of your home later than nine[illegible]rs after you close your Mortgage Loan;
   (ii) Your home is disposed of as a result of [illegible] death;
   (iii) You transfer your home either to yo[illegible]pouse or to your former spouse incident to divorce and you have no gain or loss inclu[illegible] your income under Section 1041 of the Code; or
   (iv) You dispose of your home at a los[illegible]

Same as #7

B. Maximum Recapture Tax. The maximum recapture tax that you may be required to pay as an addition to your federal income tax is $_____. This is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

C. Actual Recapture Tax. The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (1) 50% of your net gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income purposes or (2) your recapture tax, determined by multiplying the following three numbers:

Same as #7

(i) $ _____ (the maximum recapture tax, as described in paragraph B above),

(ii) The holding period percentage, as listed in Column 1 in the Table. See page 4. (County Income Limit Sheet)

(iii) The income percentage, as described in paragraph D below. See page 4. (County Income Limit Sheet)

D. Income Percentage. You calculate the income percentage as follows:

(i) Subtract the applicable adjusted qualifying income in the taxable year in which you sell your home, as listed in Column 2 in the Table, from your modified adjusted gross income in the taxable year in which you sell your home. Your modified adjusted income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your adjusted gross income must be increased by the amount of any interest that you receive or accrue in the taxable year from tax-exempt bonds that is excluded from your gross income (under Section 103 of the Code) and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.

(ii) If the amount calculated in (i) above is zero or less, you owe no recapture tax and do not need to make any more calculations. If it is $5,000 or more, your income percentage is 100%. If it is greater that zero but less than $5,000, it must be divided by $5000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is $1,000/$5,000, your income percentage is 20%.

E. Limitations and Special Rules on Recapture Tax.

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.

2. If your home is destroyed by fire, storm, flood or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence on the site of the home financed with your original subsidized Mortgage Loan.

3. In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized Mortgage Loan, the actual recapture tax is determined separately for them based on their interests in the home.

4. If you repay your Mortgage Loan in full during the nine-year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in Section 143(m)(4)(c)(ii) of the Code.

5. Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when you sell or otherwise dispose of your actual recapture tax. See Section 143(m) of the Code generally.

_____

The undersigned Mortgagor(s) has (have) received and read a duplicate copy of the forgoing Notice to Mortgagor of Information Regarding Potential Recapture Tax.

MORTGAGOR:	**CO-MORTGAGOR:**
(x)_____	(x)_____
Name:_____	Name:_____
Date:_____	Date:_____

Original Signature(s)

This form goes with closing Exhibit P. Choose appropriate county when printing this form from IRS. Fields will auto populate when printing from IRS.

2015 Income Limit

County: PULASKI

Borrower's Name:

Co-Borrower's Name:

Tracking Number:

Date That You Sell Your Home	(Column 1) Holding Period Percentage	(Column 2) Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale	
		2 or less	3 or more
Before the first anniversary of closing (See Note below)	20%	63,400.00	72,910.00
On or after the first anniversary of closing, but before the second anniversary of closing	40%	66,570.00	76,555.50
On or after the second anniversary of closing, but before the third anniversary of closing	60%	69,898.50	80,383.27
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	73,393.42	84,402.43
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	77,063.09	88,622.56
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	80,916.25	93,053.68
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	84,962.06	97,706.37
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	89,210.16	102,591.69
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	93,670.67	107,721.27

Note: Closing means the closing date for your loan.

EXHIBIT P