

Homeownership Loan and Mortgage Credit Certificate Programs Disclosure and Borrower Affidavit

Borrower(s): _____ Date of Application: _____

Virginia Housing Loan # (if applicable): _____ Loan Amount: \$ _____

Virginia Housing Loan Program: _____ (if applying only for an MCC write "MCC Only")

Originating Lender: _____

Lender Representative: _____

| | | |
|------|---------|-------|
| Name | Phone # | Email |
|------|---------|-------|

Address of residence to be purchased (the "Residence"): _____

Street Address

| | | |
|------|-------|-----|
| City | State | Zip |
|------|-------|-----|

Part I – Virginia Housing Programs

You are getting this Disclosure and Borrower Affidavit because you applied for a mortgage loan that is to be sold to Virginia Housing after closing (or made directly by Virginia Housing) or you have applied for a Virginia Housing Mortgage Credit Certificate "MCC", or you have applied for both a Virginia Housing loan and an MCC. Ask your Lender Representative about your eligibility for Virginia Housing programs.

Virginia Housing Mortgage Credit Certificate Program:

You may be eligible to receive a Mortgage Credit Certificate (MCC) in conjunction with your mortgage loan. An MCC is a federal income tax credit that could reduce the federal income taxes you owe each year for the life of your loan as long as you live in your home. To receive an MCC, you must both apply for it and meet all eligibility requirements. Borrowers meeting eligibility requirements for most Virginia Housing loans will also meet eligibility requirements for an MCC. Ask your Originating Lender to provide you an MCC Application and Fact Sheet to explain the MCC program. Neither Virginia Housing nor your Originating Lender can provide you tax advice so please consult with a tax advisor for information about how an MCC may benefit you. Please indicate below if you would like to receive an MCC if you are eligible. **Please initial next to your election:**

____ Yes I would like to receive an MCC if I am eligible.

Borrower Co-Borrower

____ No I do not want to receive an MCC or I am aware that I am not eligible.

Borrower Co-Borrower

____ No my Originating Lender does not offer MCCs.

Borrower Co-Borrower

Maximum income limits apply. Check with your Originating Lender to determine if you are eligible. If your Originating Lender does not offer MCCs you may wish to consider discussing the option with another lender. You must apply for and receive an MCC Commitment prior to loan closing. Confirm with your Originating Lender that the MCC Commitment has been issued.

Virginia Housing Grant Programs:

If you are eligible, a grant from Virginia Housing for a portion of your required downpayment (a "DPA Grant") or closing costs (a "CCA Grant") may be available depending on funding at the time you apply. To receive a Virginia Housing Grant, you must both apply for it and meet all eligibility requirements which include an annual household gross income maximum which is lower than the maximum income limits for other Virginia Housing programs (and for Virginia Housing Grants the income for all household members is included in the gross income) and you must be a first time homebuyer. Check with your Originating Lender to determine if you are eligible. If you receive a Virginia Housing Grant you are expected to live in the Residence for at least one year. Ask your Originating Lender about the Virginia Housing Grants to see if you are eligible. **Please initial next to your election:**

____ Yes I would like to receive the Virginia Housing Grant if I am eligible.

Borrower Co-Borrower

____ No I do not want to receive the Virginia Housing Grant or I am aware that I am not eligible.

Borrower Co-Borrower

Virginia Housing Plus Second Mortgage Program:

The Virginia Housing Plus Second Mortgage Program provides a second mortgage loan to apply to your downpayment and in some circumstances closing costs. To qualify, you must have not less than verified funds equal to at least 1% of the sales price which is available to use towards closing costs, prepaid items or to have as cash reserves after closing. When used with an FHA first mortgage, the maximum Virginia Housing Plus Second Mortgage loan may not exceed 3.5% or 5% depending on your credit score, of the lesser of the sales price or appraised value of the property being financed. When used with Fannie Mae first mortgage, the maximum Virginia Housing Plus Second Mortgage loan may not exceed 3% or 4.5% depending on your credit score, of the lesser of the sales price or appraised value of the property being financed.

Virginia Housing Conventional Loan Program:

Eligibility requirements are different if you apply for a loan to be sold to Fannie Mae or Freddie Mac. Borrowers are not required to be first time homebuyers and only the qualifying income of borrowers is considered in maximum gross income. Refinance options are also available. Borrowers applying for a conventional loan without an MCC, or Virginia Housing DPA Grant, or Virginia Housing Plus Second Mortgage do not have to be first time homebuyers and are not required to execute the Borrower Affidavit on the following pages (pages 3-4).

Part II – Virginia Housing Program Disclosures

Virginia Housing MCC Recapture Notice: If you elect to apply for a Virginia Housing Mortgage Credit Certificate (“MCC”) (and Virginia Housing strongly encourages you to apply for an MCC) and you are issued an MCC and you use your MCC, then current federal tax law may require a payment by you of a "recapture tax" of up to 6.25% of your loan amount (not to exceed 50% of the gain you realize) if you sell or, in most cases, otherwise transfer the residence being purchased to someone else within nine (9) years of closing. Whether or not you will be subject to this recapture tax is based on your income and family size at the time of the sale of the residence, the year in which you sell it, and the amount of gain, if any, that you realize from the sale, and whether you ever used the MCC. At this time there is no way to predict any of those factors so there is no way to predict if you will be subject to this recapture tax and, if so, the amount of the recapture tax you will owe. The maximum recapture tax liability for which you may be liable and a table showing the limits which your income may not exceed at the time you sell the residence to avoid recapture tax liability will be disclosed to you at closing. You may request a copy of the current federal income limits in advance. Because the current federal tax law could be amended, the recapture tax rules affecting your MCC at the time of closing may be different from those described in this paragraph so you should refer to the final version of the recapture tax disclosure that you will receive at closing and which will also be included with the MCC you will receive in the mail from Virginia Housing. You will be required to file IRS Form 8828 with your federal income tax return for the year in which the residence is sold or otherwise disposed of. **Note: if you receive an MCC your Virginia Housing mortgage loan (if you are applying for one) will not, under any circumstances, be funded with proceeds of tax-exempt bonds. You will not be subject to more than one Recapture Tax.**

Virginia Housing Mortgage Loans Lock-In Policy Disclosure: For all Virginia Housing mortgage loans a rate lock period for a maximum of sixty (60) days will be available. Your loan must close no later than the rate lock-in expiration date. If the loan does not close by the lock-in expiration date, all of the loan terms are subject to change. Extensions to the lock-in period may be approved by Virginia Housing upon agreement for an adjustment in fees. You must authorize the Originating Lender to lock-in the interest rate. Virginia Housing is not responsible for a failure of the Originating Lender to lock-in the Interest rate. All loan terms not locked in are subject to change. The locked-in interest rate is applicable only on a loan made to you through Virginia Housing or the Originating Lender to finance the property described herein. No substitution of property, applicant(s) or Originating Lenders is permitted and locked-in interest rates are not transferrable. The lock-in is also specific to the loan program for which you have applied. A change in loan programs may require the loan to be re-locked at different terms. If the rate lock-in term expires or is cancelled, a second rate lock may be requested; however, if the second rate lock is requested on the same property within thirty (30) days of the expiration or cancellation, Virginia Housing reserves the right to lock the rate at the greater of (a) the previously locked rate or (b) the then current rate offered by Virginia Housing at the time of the second rate lock.

Changes in Information Prior to Closing Disclosure: For all Virginia Housing mortgage loans and for all MCCs, all information contained in your application and supporting documentation (including this Disclosure and the attached Borrower Affidavit) which is considered in issuing loan approval or MCC Commitment must be true on the date of closing. If any such information changes then each change must be disclosed to and approved by Virginia Housing or the Originating Lender before closing. If prior to closing you file any federal tax return or amend a previous return, a true and complete copy of the same must be submitted to Virginia Housing or the Originating Lender.

Virginia Housing Mortgage Loan Servicing Disclosure: If you are applying for a Virginia Housing mortgage loan the following disclosure applies: The loan for which you have applied will be serviced at Virginia Housing and Virginia Housing does not intend to sell, transfer, or assign the servicing of the loan. You are applying for a mortgage loan covered by the Real Estate Settlement Procedures Act (RESPA) (12 U.S. C. 2601 et. seq.). RESPA gives you certain rights under federal law. This statement describes whether the servicing for this loan may be transferred to a different loan servicer. "Servicing" refers to collecting your principal, interest and escrow payments, if any, as well as sending any monthly or annual statements, tracking account balances, and handling other aspects of your loan. You will be given advance notice before a transfer of servicing, if any, occurs.

Please acknowledge all of the information noted in all sections of Part I and Part II above:

Borrower Signature

Co – Borrower Signature

Part III - Affidavit

BORROWER AFFIDAVIT

REGARDING PROGRAM REQUIREMENTS AND DISCLOSURES

BEFORE SIGNING, PLEASE READ THIS AFFIDAVIT CAREFULLY TO BE SURE THAT THE INFORMATION BELOW IS TRUE AND COMPLETE BECAUSE YOUR SIGNATURE INDICATES YOU CERTIFY THE INFORMATION BELOW IS TRUE TO THE BEST OF YOUR KNOWLEDGE. IN ADDITION, YOU GIVE PERMISSION TO VIRGINIA HOUSING DEVELOPMENT AUTHORITY AND ITS LENDERS OR DESIGNEES TO VERIFY YOUR STATEMENTS.

A NOTE ABOUT CRIMINAL AND CIVIL PENALTIES. If you intentionally make one or more false statements or forge one or more signatures on this Affidavit in an attempt to qualify for a Virginia Housing Mortgage Credit Certificate or a Virginia Housing mortgage loan you will be violating federal criminal laws and Virginia criminal laws, including § 1014 of Title 18 of the U.S. Code which laws are punishable by substantial fines and/or imprisonment. In addition to criminal penalties, civil penalties in the form of fines and MCC revocation are imposed by § 6709 of Title 26 of the U.S. Code for false statements made in an attempt to qualify for an MCC. In addition, if any statement you make in this Affidavit is incorrect or incomplete, Virginia Housing may have the right to terminate any obligation on its part to make the mortgage loan or to issue the MCC or, if the closing of the mortgage loan has occurred, to revoke the MCC or to declare the mortgage loan immediately due and payable and to pursue its rights under the deed of trust.

I, the undersigned, referred to herein as "Borrower," declare that the following statements are true and correct to the best of my knowledge:

1. (a) The residence (the "Residence") to be financed with the proceeds of the mortgage loan, or with respect to which the MCC is to be issued, or both, is located in the city or county of _____, Virginia, at the following address: _____, _____, _____, _____
Street Address City State Zip
- (b) The Residence will be occupied by one household and is either a single family detached house, a townhouse or a condominium unit.
2. The undersigned intends to occupy the Residence exclusively as his or her principal residence within 60 days after the mortgage loan financing is provided, or in the case of construction loans, within 60 days after the issuance of an occupancy permit, and thereafter to maintain the Residence exclusively as his or her principal residence. The undersigned may not use the MCC after the Residence ceases to be his or her principal residence.
3. The undersigned does not intend to use all or any portion of the total area of the Residence in a manner which would permit any portion of the costs of the Residence to be deducted as a trade or business expense for federal income tax purposes or under circumstances where more than 15% of the total living area is to be used primarily in a trade or business, nor to rent the Residence or any part thereof or any of the land on which the Residence is located, nor to commercially farm the land, nor in any other way to derive income from the Residence or the land.
4. The Residence is permanently fixed to the real property on a solid masonry foundation.
5. The land on which the Residence is located does not exceed the amount of land needed to maintain the basic livability of the Residence and does not exceed the customary and usual lot size in the area. In addition, the undersigned does not intend to subdivide the land.
6. None of the undersigned have had an ownership interest in a principal residence (including a mobile home affixed to land) at any time during the three year period prior to the date of closing herein evidenced by the completed Uniform Residential Loan Application (Form 1003) and the credit report provided to Virginia Housing by the Borrower's lender. Borrower acknowledges and understands that if Virginia Housing, in its sole opinion, is unable to confirm from either the Form 1003 or the credit report that the Borrower did not have the ownership interest described in the previous sentence, the Borrower agrees to provide Virginia Housing with other documentation, such as federal income tax returns, rent verifications, or other reports acceptable to Virginia Housing, to evidence the Borrower did not have such ownership interest. (NOTES: (a) There are different types of "ownership interests." Please discuss this question with the Originating Lender to be sure you have not had such an interest. (b) If your Originating Lender informed you the Residence is located in a "Targeted Area" the requirement above does not apply.
7. All Borrowers have signed this Affidavit.
8. The Acquisition cost of the Residence (both the land and the residence) to be acquired by the Borrower is computed as follows:

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--|
| (a) Amount paid, in cash or in kind, by the Borrower to or for the benefit of the Seller (or related party) for the land and the residence (excluding any personal property which is not a fixture) | \$ | |
| (b) Amount paid, in cash or in kind, by any other person to or for the benefit of Seller (or a related party) for the land and the residence (excluding any personal property which is not a fixture) | \$ | |
| (c) Amount paid for fixtures (if not part of price of the land and house included in a and b above) | \$ | |
| (d) Additional costs of completing or rehabilitating the residence which are not to be paid to the Seller (If the residence is incomplete or unfinished or is to be rehabilitated) | \$ | |
| (e) Cost of land owned by Borrower less than 2 years prior to commencement of construction of the residence thereon (if applicable) | \$ | |
| Total Acquisition Cost: | \$ | |

Note: The Virginia Housing-approved sales price and the total acquisition cost need not be the same amount. The acquisition cost of a residence does not include (1) usual and reasonable settlement and financing costs or (2) the imputed value of services performed by the Borrower or members of his or her family (which include only the Borrower's brothers and sisters (whether by the whole or the half-blood), spouse, ancestors and lineal descendants) in completing or rehabilitating the residence. "Settlement costs" include title and recording fees, title insurance, survey fees and other similar costs; and "financing costs" include credit reference fees, legal fees, appraisal expenses, points which are paid by the Borrower, or other costs of financing the residence. If such settlement and financing costs exceed the usual and reasonable costs which otherwise would be paid, such excess must be included in the acquisition cost. The acquisition cost does not include the cost of land owned by the Borrower for at least two years prior to the date on which construction of the residence begins. Virginia Housing has information available concerning what constitutes a fixture or personal property under state law.

9. Based on information provided to the undersigned by the Originating Lender, the annual gross income of the undersigned Borrowers who will occupy the Residence as calculated by the Originating Lender based on the application is correct and does not exceed the applicable federal income limit, if any.

In addition, I affirm (as applicable):

(a) For FHA/VA/RHS loan programs, MCCs, and Virginia Housing Plus Second Mortgage Loans:

The combined annualized gross income, from whatever source derived, before taxes or withholding, of all Borrowers residing or intending to reside in the Residence is:

\$ _____ Household Size: _____

Indicate below the amount, source and recipient of any income received by you and a Co-Borrower which has not been disclosed on the Residential Loan Application (do not leave blank, indicate ZERO if applicable):

| | | |
|----------|-----------------------------------------------|------------------|
| _____ | \$ _____ | _____ |
| Borrower | Annualized Income Before Taxes or Withholding | Source of Income |
| _____ | \$ _____ | _____ |
| Borrower | Annualized Income Before Taxes or Withholding | Source of Income |
| _____ | \$ _____ | _____ |
| Borrower | Annualized Income Before Taxes or Withholding | Source of Income |

(b) For Virginia Housing Grant:

The combined annualized gross income, from whatever source derived, before taxes or withholding, of all Borrowers as well as any additional household members, if any, residing or intending to reside in the Residence, is:

\$ _____ Household Size: _____

Indicate below the amount, source and recipient of any income received by you, a Co-Borrower, or any household member which has not been disclosed on the Residential Loan Application (do not leave blank, indicate ZERO if applicable):

| | | |
|------------------------------|-----------------------------------------------|------------------|
| _____ | \$ _____ | _____ |
| Borrower or Household Member | Annualized Income Before Taxes or Withholding | Source of Income |
| _____ | \$ _____ | _____ |
| Borrower or Household Member | Annualized Income Before Taxes or Withholding | Source of Income |
| _____ | \$ _____ | _____ |
| Borrower or Household Member | Annualized Income Before Taxes or Withholding | Source of Income |

10. Has this Residence ever been occupied? _____
Write "Yes" or "No"

If Yes, has it been occupied by the undersigned? _____
Write "Yes" or "No"

11. The loan proceeds are not being used in whole or in part to replace or repay an existing mortgage or debt for which the undersigned are liable or which was incurred on behalf of the undersigned, other than construction period loans, bridge loans or similar temporary financing which had a term of twenty-four months or less. The undersigned have not previously had a mortgage loan on the residence other than temporary financing described above. The term "mortgage" as used herein includes deeds of trust, conditional sales contracts, pledges, agreements to hold title in escrow and leases with option to purchase which are treated as installment sales for federal income tax purposes and any other form of owner financing.
12. The undersigned further understand and agree that Virginia Housing or its Originating Lender may wish to investigate and verify the matters set out herein. The undersigned have and do hereby agree to permit such investigation and verification including, without limitation, inspections of the Residence, whether before or after settlement on reasonable notice and the execution of an instrument which will permit Virginia Housing or the Originating Lender to secure copies of federal income tax returns directly from the Internal Revenue Service. The undersigned hereby release the Virginia Housing Development Authority, its attorneys and Originating Lenders from any claims that the undersigned may have which arise out of or relate to any such investigation or verification.
13. This Affidavit shall be deemed to be a part of the undersigned's application for a Virginia Housing mortgage loan or MCC, and it is understood that Virginia Housing shall rely upon this Affidavit in determining whether to make such mortgage loan or to issue such MCC to the undersigned.
14. The fair market value of any personal property (such as refrigerator, washer/dryer, free standing stove and unattached storage shed) transferring with the Residence does not exceed the sum of (i) my/our down payment; (ii) any non-Virginia Housing financing I/we are obtaining to purchase the Residence; and (iii) closing costs (such as origination fee and discount point, survey fee, title insurance premium, attorney's fees, and recording fees) which I/we reasonably expect to pay, or expect the seller to pay on my/our behalf, at loan closing.

Date Borrower Signature

Date Co – Borrower Signature