



State of New York Mortgage Agency

641 Lexington Avenue, New York, NY 10022
(212) 688-4000 • Fax: (212) 872-0789

PRISCILLA ALMODOVAR
President and CEO

By E-mail and Mail

March 27, 2007

**RE: Streamlined Compliance Forms and Revised Credit Underwriting Guidelines
Seller's Guide Bulletin #2-2007**

Dear Participating Lender:

The State of New York Mortgage Agency ("SONYMA") is modifying certain of its compliance forms and underwriting guidelines that we believe will simplify and expedite the processing of SONYMA loan applications and will enable more borrowers to qualify for financing.

Modification to Form and Delivery of the Property Seller's Affidavit and Change in our Power of Attorney Policy for Property Seller's Affidavit

SONYMA understands that the primary cause of delays in processing our loans has been the length of time it takes to get the property seller to review, execute, and return the Property Seller's Affidavit. Often, the seller's attorney refuses to allow their client to sign the form unless significantly modified. In addition, SONYMA's procedures have not allowed sellers to use a power-of-attorney to sign the form (except in cases of medical incapacitation) which also created major delays and in extreme cases, rescinded certain property sales. Consequently, SONYMA decided to undertake a thorough review of the Property Seller's Affidavit and of all of its compliance documents. The results are described below.

We are pleased to announce that the Property Seller's Affidavit (Form 210/3-07) has been substantially altered and will no longer be required to be executed at application and submitted to SONYMA with the application loan file. Instead, the new form will be executed at closing and submitted with the post-closing loan file. Attached is a camera-ready copy of the revised form. You will note that, except for language to confirm the property's acquisition cost, all other language has been removed from the form. Effective for applications dated as specified below, lenders will be required to deliver the original completed form with the post-closing loan file. The form must be fully completed with the acquisition cost being completed in the last paragraph. Please note that the acquisition cost must exactly match the amount accepted by SONYMA in the Recapitulation Notification and Mortgagor's Affidavit (Form 211/3-07) submitted with the loan application file.

We are also pleased to announce that SONYMA will allow the Property Seller's Affidavit to be signed by a power of attorney (with proper documentation which is satisfactory to the title company at closing).

Other Form Changes and Revisions

In addition to the Property Seller's Affidavit (Form 210/3-07), SONYMA has modified the following forms:

<u>Form Name and Number</u>	<u>Revision</u>
• Recapture Notification and Mortgagor's Affidavit (Form 211/3-07)	Incorporated the Manufactured HomeOwner Eligibility Affidavit (Form 217) into this form. <i>(Form 217 has been eliminated.)</i>
• Military Veteran's Eligibility Affidavit (Form 243/3-07)	Language changed to include an exemption of the first-time homebuyer requirement for any co-borrower (not just the spouse) of a qualified military veteran.

Camera-ready copies of these forms are attached. Please immediately discard the previously issued forms and replace them with the attached forms. Interactive versions of each form are available for download from the Agency's website at <http://www.nyhomes.org/home/index.asp?page=110>.

Lenders may use the revised forms immediately and **must use the new forms for applications dated on or after May 1, 2007**. SONYMA is in the process of making revisions to its Seller's Guide. The above guideline and form changes will be incorporated into the revised Guide upon completion.

Please note that the Application Loan File Checklist (Form 225/3-07), Closed Loan Document Checklist (Form 223/3-07), and Closed Cooperative Share Loan Document Checklist (Form 224/3-07) are also in the process of being revised and will be sent under separate cover.

More Flexible Underwriting Guidelines

Effective immediately for loans submitted for pool insurance consideration, SONYMA is making the following changes to its underwriting guidelines that will enable more borrowers to qualify for financing:

- Payment and Debt Ratios increased to 40%/45% for Automated Underwritten Loans with Loan-to-Value Ratio (LTV) up to 97% – SONYMA is increasing its maximum housing payment and debt ratios to 40% and 45%, respectively, for loans up to 97% LTV that receive a favorable decision from either Fannie Mae's Desktop Underwriter® (DU) or Freddie Mac's Loan Prospector® (LP) automated underwriting systems. This change makes our underwriting ratio policy consistent for all SONYMA loans receiving favorable decisions from DU or LP. We consider a favorable decision to be Approve – Eligible and Approve – Ineligible (DU), and Accept – Eligible and Accept – Ineligible (LP). SONYMA does not accept decisions with loan level price adjustments and such loans must be manually underwritten. Please note that the ratios for loans requiring manual underwriting and for loans with an LTV over 97% (i.e., Construction Incentive Program loans) remain at 33%/38%.
- Elimination of Borrower's Minimum Cash Contribution for Certain Loans – SONYMA will waive the requirement for borrowers to make a minimum cash contribution (3% or 5% depending on the property type) in the following cases where:
 - ▶ Gift Funds Exceed 20% – Borrowers using funds received as a gift from a relative, domestic partner, fiancé, or fiancée to make the entire downpayment for a mortgage that results in an 80 percent (or lower) loan-to-value ratio.

- ▶ Gifted Lot Value Exceeds 20% – For new construction, borrowers who were gifted a lot (from a relative, domestic partner, fiancé, or fiancée) in which the SONYMA-financed home will be built has a value that results in an 80 percent (or lower) loan-to-value ratio.
- ▶ Inheritance Amount Exceeds 20% – In cases where borrowers inherit a portion of a home and wish to buy out the remaining inheritors of the property, if the borrower's share results in an 80 percent (or lower) loan-to-value ratio.
- Elimination of 2-Month Seasoning Requirement for Borrower's Minimum Cash Contribution – Borrowers no longer need to demonstrate that their 3% minimum cash contribution was deposited in a verifiable account(s) at least two months prior to loan application. SONYMA will allow the funds to be used as long as they are in the account(s) as of the loan application date.

We are very excited about these changes and trust that they will result in more qualified borrowers and an efficient loan process which will benefit everyone.

If you should have any questions, please feel free to contact Gail Davis-Kresge, Originations Senior Manager at extension 399 or gaid@nyhomes.org or Susan Pline, Assistant Vice President, at extension 391 or susanp@nyhomes.org.

Sincerely,



George M. Leocata
Vice President



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

IT MAY BE A FEDERAL OFFENSE PUNISHABLE BY A MAXIMUM OF A \$5,000 FINE, TWO YEARS IMPRISONMENT, OR BOTH, TO KNOWINGLY MAKE A FALSE STATEMENT IN THIS AFFIDAVIT (TITLE 18 UNITED STATES CODE, SECTION 1014). READ THIS AFFIDAVIT CAREFULLY TO BE SURE THE INFORMATION IN IT IS TRUE AND COMPLETE BEFORE SIGNING THIS FORM. PLEASE BE ADVISED THAT THE STATE OF NEW YORK MORTGAGE AGENCY HAS A POLICY OF INDEPENDENTLY VERIFYING THE INFORMATION YOU PROVIDE.

Purchaser(s): _____

Residence: _____

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

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

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

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

In the Presence of:

Notary Public

L.S. _____
Property Seller

Notary Public

L.S. _____
Property Seller

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

Exhibit G

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

IT MAY BE A FEDERAL OFFENSE PUNISHABLE BY A MAXIMUM OF A \$5,000 FINE, TWO YEARS IMPRISONMENT, OR BOTH, TO KNOWINGLY MAKE A FALSE STATEMENT IN THIS AFFIDAVIT (TITLE 18 UNITED STATES CODE, SECTION 1014). READ THIS AFFIDAVIT CAREFULLY TO BE SURE THE INFORMATION IN IT IS TRUE AND COMPLETE BEFORE SIGNING THIS FORM. PLEASE BE ADVISED THAT THE STATE OF NEW YORK MORTGAGE AGENCY HAS A POLICY OF INDEPENDENTLY VERIFYING THE INFORMATION YOU PROVIDE.

SONYMA # _____

Mortgage Lender Name: _____

Mortgagor(s): _____

Property Seller(s): _____

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

PART I - RECAPTURE NOTIFICATION

A home purchase financed with a mortgage loan (the "Mortgage Loan") made available with the assistance of the State of New York Mortgage Agency (the "Agency" or "SONYMA") is generally made at an interest rate below what is usually charged in the marketplace. If the Mortgage Loan closes after December 31, 1990, the Internal Revenue Code of 1986, as amended (the "Code") requires a payment to the Federal government of certain gain you realize on the sale or transfer of your home. This gain which must be paid, called the "recapture amount," is due in connection with your Federal income tax return for the year the house is sold. This provision applies to any disposition of your home within nine (9) years of the date you acquire it with certain limited exceptions. The recapture amount will (i) increase during the first five years of ownership with full "recapture" occurring if you sell your house at the end of the fifth year following the date of the Mortgage Loan and (ii) decrease ratably to zero with respect to a sale occurring in years six through nine. The recapture amount may not exceed the LESSER of (i) 50 percent of the gain you realize by the sale of your home or (ii) 6.25 percent of your original loan amount. You will not have to pay part or all of the recapture if your income, at the time of the sale of your home is less than a prescribed amount. NEVERTHELESS, THE CODE REQUIRES THAT YOU FILE FORM 8828 (OR A SUCCESSOR) TITLED "RECAPTURE OF FEDERAL MORTGAGE SUBSIDY" WHEN YOU SELL OR TRANSFER TITLE EVEN IF YOU REALIZED NO GAIN ON THE SALE OR TRANSFER OR IF YOUR INCOME IS LESS THAN THE PRESCRIBED AMOUNT. The information you will need to compute the recapture amount will be provided to you at the time your Mortgage Loan is made.

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

Attachment 1 - Determining Your Recapture Tax

Attachment 2 - Example of How to Compute the Recapture Amount

Attachment 3 - Sample Table

Attachment 4 - Recapture Worksheet

(SONYMA Form 211/3-07)



PART II - GENERAL INFORMATION

I, _____ and _____ as Purchaser(s) or Mortgagor(s) of a residence (the "Residence"), the Mortgage Loan for which will be provided by the Agency, do hereby represent and warrant as follows:

1. The information in the Mortgage Loan application is true, accurate and complete.
2. The Residence is located within the State of New York and is a **(Check One)**:

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

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

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

OR

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

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

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

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

3. (I/We) intend to occupy the Residence as (my/our) principal and permanent place of residence within 60 days after the closing of the Mortgage Loan, and thereafter, and will not use the Residence as a recreational or seasonal residence. (I/We) understand that if for a continuous period of one year or more, the Residence is not the principal residence of at least *one* of us, no mortgagor (including a mortgagor for whom the Residence is (his/her) principal residence) will be permitted to take a deduction for his/her interest expense with respect to the Mortgage Loan in determining his Federal income tax liability. Under the terms of the Technical and Miscellaneous Revenue Act of 1988 (I/we) may be permitted to take a deduction for interest expense with respect to the Mortgage Loan in determining (my/our) Federal income tax liability which accrues on and after the date such Residence is again the principal residence of at least one of us. (I/We) understand that the United States Treasury Department (the "Treasury") is authorized to waive such penalty in certain instances where the application of the penalty would result in undue hardship and the failure to meet the principal residence requirement resulted from circumstances beyond the Mortgagor's control. (I/We) understand that seeking such a waiver from the Treasury is (my/our) sole responsibility, that the Agency will not provide any assistance to (me/us) in seeking such a waiver, and that (I/we) should consider consulting (my/our) own attorneys when considering seeking such a waiver.

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

5. (I/We), for the entire term of the Mortgage Loan securing the Residence, (i) will not use, nor will any other person use, other than in connection with the rental of (1, 2 or 3) unit (or units) (**circle number of rental units**), more than 10 percent of the Residence for business or income producing purposes [as determined on Line 3 of IRS Form 8829 (or a successor form) of my Federal tax return(s), or other documents as requested by SONYMA] or permit the Residence to be occupied by more families than is allowed under the applicable certificate of occupancy or its equivalent, (ii) will not subdivide or attempt to subdivide the land containing the Residence and encumbered by the Mortgage Loan, and (iii) will not construct another dwelling on the land containing the Residence that could be used as another residence.

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

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

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

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

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

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

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

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

OR

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

OR

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

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

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

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

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

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

*M = Mortgagor C= Co-Mortgagor

[Select all appropriate responses.]

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

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

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

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

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

*M = Mortgagor C= Co-Mortgagor

10. (I/We) understand that as matter of Federal tax law this Mortgage Loan cannot be assumed unless all of the relevant restrictions of the Code are met. In addition, the Mortgage Loan cannot be assumed without the prior written consent of the Agency.

11. (I/We) understand that (my/our) Mortgage Loan application is subject to the approval of the Agency and its pool insurer(s).

PART III - ACQUISITION COST OF THE RESIDENCE

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

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

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

(1) usual and reasonable settlement and financing costs: "settlement costs" include titling and transfer costs, title insurance, survey fees and other similar costs, and "financing costs" include credit reference fees, legal fees, appraisal expenses, points which are paid by the Purchaser(s), or other costs of financing the residence. Such amounts must not exceed the usual and reasonable costs which otherwise would be paid.

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

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

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

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

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

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

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

PART IV - INCOME ELIGIBILITY

(I/We) certify that the information contained in this Part IV is true and accurate and complete. The financial information requested in this Part IV must be provided by the Mortgagor(s) on behalf of all Household Members who expect to occupy the Residence and whose incomes at the time of title closing derives from sources described in A below. For purposes of compliance under the Agency's Program income limits, "Household Members" include the borrower, borrower's spouse, any person(s) signing the mortgage or note, and any other person who is 21 years or older at time of title closing who is expecting to occupy the Residence.

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

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

<u>A. Sources of Current Monthly Income</u>	<u>At Loan Application</u>	<u>At Loan Closing</u>
1. Gross Pay	\$ _____	\$ _____
2. Overtime, Part-time Pay and Temporary Employment	\$ _____	\$ _____
3. Bonuses, Commissions, and Tips	\$ _____	\$ _____
4. Dividends, Interest, Royalties & Trusts	\$ _____	\$ _____
5. Business Activities or Investments	\$ _____	\$ _____
6. Net Rental Income	\$ _____	\$ _____
7. Pension/Social Security Benefits	\$ _____	\$ _____
8. Veterans Administration Benefits	\$ _____	\$ _____
9. Unemployment Compensation	\$ _____	\$ _____
10. Sick Pay	\$ _____	\$ _____
11. Public Assistance	\$ _____	\$ _____
12. Alimony, Child Support or Separate Maintenance Income	\$ _____	\$ _____
13. Any Other Income	\$ _____	\$ _____
14. Total Monthly Gross Income	\$ _____	\$ _____
Multiply by 12	_____ x12	_____ x12
<u>B. Total Annualized Gross Income</u>	<u>\$ _____</u>	<u>\$ _____</u>

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

PART V - DISCLOSURE STATEMENT

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

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

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

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

PART VI - CERTIFICATION

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

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

EXECUTION AT TIME OF LOAN APPLICATION

Purchaser

Purchaser

Guarantor

ACKNOWLEDGEMENT

STATE OF _____).ss:

COUNTY OF _____)

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

Notary Public
Commission expires:

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

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

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

Purchaser

Purchaser

Guarantor

DETERMINING YOUR RECAPTURE TAX

(Note: The following is intended only to familiarize you with this requirement. You should obtain the applicable IRS forms and instructions or consult your tax advisor to actually compute your recapture tax.)

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

This amount, \$ _____, is your "adjusted recapture tax."

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

Note: The Income Limits in Attachment 3 are hypothetical amounts for illustration purposes only. At or subsequent to closing, you will be given the actual limits applicable to you.

EXAMPLE OF HOW TO COMPUTE THE RECAPTURE AMOUNT

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

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

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

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

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

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

SAMPLE TABLE

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

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

RECAPTURE WORKSHEET

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



Exhibit I

Military Veteran’s Eligibility Affidavit

STATE OF NEW YORK

Lender Name _____

COUNTY OF _____

SONYMA Loan # _____

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

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

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

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

Signed, Sealed and Delivered on this

_____ day of _____, _____

L.S. _____

Military Veteran Purchaser

In the Presence of

Notary Public