

NOTICE TO BUYERS

House Key Program - Washington State Housing Finance Commission

Your home is being financed with a mortgage made available with the assistance of the Washington State Housing Finance Commission (the Commission). This mortgage is made at an interest rate below what is usually being charged. Because of this, your mortgage provides that you cannot rent your home without the Mortgage Servicer's prior written consent (which consent can be given only in very limited circumstances) or sell your home to a person ineligible for assistance from the Commission, unless you pay your loan in full.

If you sell your home to a person ineligible for assistance from the Commission, unless you pay your loan in full, the Commission may demand immediate full repayment of the 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 loan, the Mortgage Lender may foreclose your mortgage and repossess the property. If the Mortgage Lender takes your home through a foreclosure of the mortgage because of these reasons, the mortgage insurer or guarantor (US Department of Housing and Urban Development, U.S. Department of Veterans Affairs, Rural Housing Services, or a private insurer) will not be able to help you.

If the money received from the foreclosure sale is not enough to pay the remaining amount of money you owe on the loan, the Commission may obtain a deficiency judgment against you (a court ruling that you must pay whatever money is still owed on the loan after the foreclosure sale). Such judgment will be taken over by the insuring or guaranteeing agency if the Commission files an insurance claim against that agency because of the foreclosure. The Commission or the agency may then bring an action against you to collect the judgment.

Note: Notwithstanding the foregoing, conventional mortgages are not assumable. In order for the loan to be assumed, you must sell your home at or below the federally designated maximum sales price in effect when you sell your home. Federal law allows you to purchase your home at the newly constructed home maximum sales price, but requires that you sell your home at the EXISTING home maximum sales price in effect at the time of sale. There may be significant differences between newly constructed and existing limits.

Section 150(b) of the Internal Revenue Code of 1986, as amended, prohibits the deduction of interest on your Mortgage by you for Federal income tax purposes if there is a continuous period of one year or more in which your home is not the Principal Residence of at least one of the Borrowers who received the Mortgage financed with the assistance of the Commission. In that event, no deduction will be allowed for interest on your Mortgage which accrues on or after the date such period begins.

Under the provisions of Section 143(m) of the Internal Revenue Code of 1986, as amended, persons receiving benefits from qualified mortgage revenue bond financing (including the Commission's Program), such as a savings in mortgage loan interest costs, may be required to rebate to the federal government a portion of the mortgage loan interest deductions (but not exceeding 50% of the gain on the sale of the residence) upon resale of the residence within nine (9) years. **The attached worksheet shows an example of how to calculate this recapture tax.**

I understand that in the event that payments to the Bond Holders of the Single Family Bonds that provided funding for this Program are satisfied prematurely that my mortgage may be forgiven and may pose tax implications.

SIGNED: _____
Date _____ Date _____