

Illinois Anti-Predatory
Lending Database
Program



Certificate of Exemption

16 ST 01946 HSK
313

Doc#: 1621555121 Fee: \$70.00
Karen A. Yarbrough
Cook County Recorder of Deeds
Date: 08/02/2016 09:30 AM Pg: 1 of 12

Report Mortgage Fraud
800-532-8785

The property identified as: **PIN:** 10-22-310-055-1003

Address:

Street: 8248 Keating Avenue #1N

Street line 2:

City: Skokie

State: IL

ZIP Code: 60076

Lender: Illinois Housing Development Authority

Borrower: Adi Parman

Loan / Mortgage Amount: \$7,500.00

This property is located within the program area and the transaction is exempt from the requirements of 765 ILCS 77/70 et seq. because the application was taken by an exempt entity.

Certificate number: 4AEFE93B-5EA8-46EA-AB7D-EE3EFACB5004

Execution date: 7/26/2016

UNOFFICIAL COPY

This document was prepared by:

PHH Home Loans, LLC, A Limited Liability Company

7550 France Ave So. #340

Edina, MN 55435

When recorded, please return to:

Illinois Housing Development Authority
401 N. Michigan Avenue, Suite 700
Chicago, IL 60611
Attn: Hardest Hit Fund

(Space Above This Line For Recording Data)

2ND IHDA Loan # 2899924
Illinois Hardest Hit Fund
Down Payment Assistance Program

SECOND MORTGAGE

THIS SECOND MORTGAGE ("Security Instrument") is given on July 26th, 2016. The mortgagor(s) is(are) Adi Parman, A Single Man ("Borrower(s)"). This Security Instrument is given to ILLINOIS HOUSING DEVELOPMENT AUTHORITY which is organized and existing under the laws of THE UNITED STATES OF AMERICA, and whose address is 401 N. Michigan Ave., Suite 700, Chicago, IL 60611 ("Lender"). Borrower owes the lender the principal sum of Seven Thousand Five Hundred Dollars (U.S. \$7,500.00) pursuant to the Lender's Illinois Hardest Hit Fund Down Payment Assistance Program (the "Program"). This debt is evidenced by Borrower's note dated the same date as this Security Instrument ("Note"). This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest, advanced under paragraph 7 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 does hereby mortgage, grant and convey to the Lender the following described property located in Cook County, Illinois:

(Legal description) See Exhibit A

which has the address of 8246 Keating Ave Unit 1N, Skokie, Illinois 60076
("Property Address"); (street) (city) (zip)

TOGETHER WITH 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

Initials: AP



UNOFFICIAL COPY

covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER COVENANTS that the Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. **Payment of Principal; Prepayment and Late Charges.** Borrower shall promptly pay when due the principal of the debt evidenced by the Note and any prepayment and late charges due under the Note and any sums advanced under paragraph 7.
2. **Intentionally Deleted.**
3. **Application of Payments.** Unless applicable law provides otherwise, all payment received by Lender under paragraphs 1 shall be applied first to any amounts advanced under paragraph 7, then to any late charges due under the note and then to principal due.
4. **Charges; Liens.** 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 or Lender, on Borrowers behalf, 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.

Borrower shall promptly discharge any lien which has 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 the lien by, or defends against enforcement of the lien; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to the Security Instrument. 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 the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

5. **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 the 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 7.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgage clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by 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

Initials: AP



UNOFFICIAL COPY

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 paragraphs 1 and 2 or change the amount of the payments. If under paragraph 21 the Property is acquired by Lender, Borrower's right 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 the acquisition.

6. **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 and shall continue to occupy the Property as Borrower's principal residence for the term of this Security Instrument. Borrower shall keep the Property in good repair and 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 18, 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 Borrower's occupancy of the Property as a principal residence. If this Security Instrument is in 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 the Lender agrees to the merger in writing.
7. **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 Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorney's fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 7, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 7 shall become additional debt of Borrower secured by this Security Instrument.

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

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

Initials: AP



UNOFFICIAL COPY

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 condemnor 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.

11. **Borrower Not Released; Forbearance By Lender Not a Waiver.** Extension of the time for payment or modification of amortization of the sums secured by this 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 original 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.
12. **Successors and Assigns Bound; Joint and Several Liability.** The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 17. Borrower's covenants and agreements shall be joint and several.
13. **Intentionally Deleted.**
14. **Notices.** Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by 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 provided for in this "Security Instrument" shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.
15. **Governing Law; Severability.** This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. 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.
16. **Borrower's Copy.** Borrower shall be given one conformed copy of the Note and of this Security Instrument.
17. **Transfer of the Property or a Beneficial Interest in Borrower/Refinance of First Mortgage Loan.** 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.

Initials: AP



UNOFFICIAL COPY

If Lender exercises this option, Lender shall give Borrower 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.

- 18. 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 Borrower: (a) pays 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 17.
- 19. Sale of Note; Change of Loan Servicer.** The Note or a partial interest in the Note (together with this Security Interest) 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 14 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.
- 20. 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, nor 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 on 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 the 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.

As used in this paragraph 20, "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 20, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

- 21. Acceleration; Remedies.** Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under paragraph 17 unless applicable law provides otherwise). The notice shall

Initials: AP



UNOFFICIAL COPY

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, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the note may result in acceleration of the sums secured by this Security Instrument, foreclosure by judicial proceeding and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to assert in the foreclosure proceeding the non-existence of a default or any other defense of Borrower to acceleration and foreclosure. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may foreclose this Security Instrument by judicial proceeding. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 21, including, but not limited to, reasonable attorneys' fees and cost of title evidence.

22. **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 charges. Notwithstanding anything contained in this Mortgage to the contrary, it is expressly understood and agreed that no partial or full release of this Mortgage, nor any enforcement or other action hereunder, shall waive, release or otherwise affect any of the restrictions and agreements set forth in the Note or any of the other Loan Documents. Additionally, the restrictions contained in this Security Instrument shall automatically terminate upon the Forgiveness Date, provided a Repayment Event (as defined in the Note) has not occurred.
23. **Waiver of Homestead.** Borrower waives all right of homestead exemption in the Property.
24. **Riders to this Security Instrument.** If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants and agreements of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security Instrument as if the rider(s) were a part of this Security Instrument.

(Check applicable box)

Other(s) [specify] _____

25. **Required HUD Provision.** The restrictions contained in this Security Instrument shall automatically terminate if title to the mortgaged property is transferred by foreclosure or deed-in-lieu of foreclosure, or if the mortgage is assigned to the Secretary of the United States Department of Housing and Urban Development.
26. **Assumption.** This Mortgage may not be assumed or assigned (other than as provided in paragraph 19 above).
27. **Prohibited Transfer.** Without the prior written consent of Lender, the Borrower shall not effect, suffer or permit any conveyance, sale, assignment, transfer, lien, pledge, mortgage, security interest or other encumbrance or alienation (or any agreement to do any of the foregoing) of the Property (each a "Prohibited Transfer") not in compliance with the terms and conditions of this Mortgage.
28. **Total Indebtedness.** At no time shall the principal amount of the indebtedness secured by this Mortgage, excluding sums advanced to protect the security of this Mortgage, exceed the original amount of the Note.
29. **Indemnification of the Lender.** Borrower agrees to defend and indemnify and hold harmless Lender from and against any and all damages, including, but not limited to, any past, present or future claims, actions, causes of action, suits, demands, liens, debts, judgments, losses, costs, liabilities and other expenses, including, but not limited to, reasonable attorneys' fees, costs, disbursements, and other expenses, that Borrower may incur or suffer by reason of or in connection with the Property, except if arising solely due to Lender's gross negligence, willful misconduct or after Lender takes possession of the Property. Borrower further agrees that Lender, if it so chooses, shall have the right to select its own counsel with respect to any such claims.

Initials: AP



UNOFFICIAL COPY

30. **WAIVER OF JURY TRIAL.** BORROWER WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER BORROWER OR LENDER, ITS SUCCESSORS AND ASSIGNS, ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE PROPERTY OR THIS MORTGAGE, AND ACKNOWLEDGES AND AGREES THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER TO MAKE THE FORGIVABLE LOAN EVIDENCED BY THE NOTE AND TO ACCEPT THIS MORTGAGE.
31. **Illinois Mortgage Foreclosure Law.** If any provision in this Mortgage is inconsistent with any provision of the Illinois Mortgage Foreclosure Law, 735 ILCS 5/15 *et seq.* (the "Foreclosure Law"), the provisions of the Foreclosure Law shall take precedence over the provisions of this Mortgage, but shall not invalidate or render unenforceable any other provision of this Mortgage that can be construed in a manner consistent with the Foreclosure Law. If any provision of this Mortgage grants to Lender any rights or remedies upon default of the Mortgagor that are more limited than the rights that would otherwise be vested in Lender under the Foreclosure Act in the absence of that provision, Lender shall be vested with the rights granted in the Foreclosure Law to the fullest extent permitted by law.
32. **Senior Loan.** Borrower has a senior loan from a senior lender (the "Senior Lender") secured by a senior mortgage or mortgages on the Property as disclosed to the Lender (collectively, the "Senior Instruments"). Lender acknowledges that this Mortgage is junior and subordinate to the lien of the Senior Instruments. Borrower covenants and agrees to comply with all of the terms and provisions of the Senior Instruments. Borrower shall give Lender a copy of all notices given Mortgagor with respect to any of the Senior Instruments within fifteen (15) business days after receiving such notice. Borrower shall not, without the prior written consent of Lender, enter into any modification, extension, amendment, agreement or arrangement in connection with any of the Senior Instruments. In the event Borrower is declared by the holder of any of the Senior Instruments to be in default with respect to any requirement of any of the Senior Instruments, Borrower agrees that said default shall constitute a default hereunder and under this Mortgage and the Loan Documents. Upon the occurrence of such default, in addition to any other rights or remedies available to Lender, Lender may, but need not, make any payment or perform any act required to cure or attempt to cure any said default under any of the Senior Instruments in any manner and form deemed expedient by Lender. Lender shall not be responsible for determining the validity or accuracy of any claim of default made by the Senior Lender under the Senior Instruments and the payment of any sum by Lender in curing or attempting to cure any alleged default or omission shall be presumed conclusively to have been reasonable, justified and authorized. Any inaction on the part of the Lender shall not be construed as a waiver of any right accruing to Lender on account of any default hereunder.

[SIGNATURE PAGE TO FOLLOW]

Initials: AP



UNOFFICIAL COPY

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

 Witness Adi Parman (Seal) --Borrower

 Witness _____ (Seal) --Borrower

 Witness _____ (Seal) --Borrower

(Space Below This Line for Acknowledgment)

STATE OF ILLINOIS,)
) SS
COUNTY OF Cook)

I, Deborah M Pappas, a Notary Public in and for the said county and state, do hereby certify that Adi Parman personally

known to me to be the same person(s) whose name(s) is/are subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that they signed and delivered the said instrument as their free and voluntary act, for the uses and purposes therein set forth.

Given under my hand and official seal, this 26 day of Feb, 2016.



Deborah M Pappas
 Notary Public (signature)

Originator Names and Nationwide Mortgage Licensing System and Registry IDs:

Organization: PHH Home Loans, LLC, A Limited Liability Company NMLSR ID: 4256

Individual: Gregory John Schneider NMLSR ID: 228604

Initials: AP



UNOFFICIAL COPY



CHICAGO TITLE
COMPANY

LEGAL DESCRIPTION

Order No.: 16st01946HSK

For APN/Parcel ID(s): 10-22-310-055-1003

Unit No. 1N in 8245 Keating Condominium Association described as follows:

The North 1/2 of Lot 19 and all of Lot 20 in Krenn and Dato's Cicero Avenue "L" Subdivision, being a Subdivision of the South West 1/4 of Section 22, Township 41 North, Range 13, East of the Third Principal Meridian, in Cook County, Illinois;

Which survey is attached as exhibit "B" to Declaration of Condominium recorded January 8, 1991 as Document Number 91011508, as amended from time to time, together with its undivided percentage interest in the common elements.

Property of Cook County Clerk's Office

UNOFFICIAL COPY

RECAPTURE NOTICE

NOTICE TO MORTGAGOR OF MAXIMUM RECAPTURE TAX AND OF METHOD TO COMPUTE RECAPTURE TAX ON SALE OF HOME - MCC

The Illinois Housing Development Authority (the "Authority"), through provisions of the Internal Revenue Code, has the ability to issue mortgage credit certificates through its Mortgage Credit Certificate Program.

A. INTRODUCTION: As a recipient of a mortgage credit certificate, you may be subject to a recapture tax if you sell your home during the next nine years. 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 more than 5% per year. The recapture tax may also apply if you dispose of your home in some other way. Any references in this notice to the "sale" of your home also include other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

B. MAXIMUM RECAPTURE TAX & CALCULATION OF TAX DUE, if any:

NO RECAPTURE TAX DUE: In the following situations, no recapture tax is due and you do not need to do the calculations listed below:

1. You sell your home more than nine years after settlement.
2. Your home is disposed of as a result of your death.
3. You transfer your home either to your spouse or to your former spouse in connection with a divorce and you have no gain or loss included in your income under section 1041 of the Internal Revenue Code, or
4. You dispose of your home at a loss.

MAXIMUM RECAPTURE TAX: The maximum recapture tax that you may have to pay is \$ 7,362.50. This amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan. Total amount of 1st mortgage loan = \$ 117,800.00.

The **ACTUAL RECAPTURE TAX**, if any, can be determined when you sell your home, and is the lesser of (1) 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your **RECAPTURE AMOUNT** determined below:

1. If home is sold before the 1st anniversary of closing, or on or after the 8th anniversary but before the 9th, your recapture amount will be 1.25% of your original principal mortgage amount.
2. If home is sold on or after 1st anniversary of closing but before the 2nd, or on or after the 7th anniversary but before the 8th, your recapture amount will be 2.5% of your original principal mortgage amount.
3. If home is sold on or after 2nd anniversary of closing but before the 3rd, or on or after the 6th anniversary but before the 7th, your recapture amount will be 3.75% of your original principal mortgage amount.
4. If home is sold on or after 3rd anniversary of closing but before the 4th, or on or after the 5th anniversary but before the 6th, your recapture amount will be 5% of your original principal mortgage amount.
5. If home is sold on or after 4th anniversary of closing but before the 5th your recapture amount will be 6.25% of your original principal mortgage amount. This is the maximum recapture amount.

C. INCOME CALCULATION. You can calculate the income percentage as follows: **SUBTRACT** the applicable **ADJUSTED QUALIFYING INCOME** in the taxable year in which you sell your home, as listed on the "Income Limit Attachment" to this form, **FROM** your **MODIFIED ADJUSTED GROSS INCOME** in the taxable year in which you sell your home.

Your **modified adjusted gross 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



UNOFFICIAL COPY

excluded from your gross income (under section 103 of the Internal Revenue 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.

Your adjusted qualifying income can be obtained from the Income Limit Attachment to this form. Start by finding the county in which your home is located. You would then choose the family size at the time of sale, whether it be 1 to 2 members or 3 or more. Once you have the correct row selected for the income, you would choose the correct column by selecting the year in which you are selling your home. Use this figure for your ADJUSTED QUALIFYING INCOME.

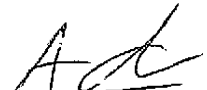
NOTE: If your income calculation above is zero or less, you owe no recapture tax. If it is \$5000 or more, you will owe 100% of the recapture amount. If it is greater than zero but less than \$5,000, it must be divided by \$5000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is \$1,000/\$5,000, your income percentage is 20%.

D. 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 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 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 Internal Revenue 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 home to determine the amount, if any, of your actual recapture tax. See section 143(m) of the Internal Revenue Code generally.

THIS EXPLANATION AND THE ACCOMPANYING CALCULATIONS REPRESENT THE AUTHORITY'S CURRENT UNDERSTANDING OF THE RECAPTURE PROVISION OF THE INTERNAL REVENUE CODE. THE EXPLANATION IS NOT A COMPLETE STATEMENT OF THE RECAPTURE PROVISION, AND THE AUTHORITY CANNOT BE CERTAIN THAT IT WILL BE CONSISTENT WITH ANY REGULATIONS THE TREASURY DEPARTMENT MAY PROMULGATE UNDER THE RELEVANT SECTIONS OF THE INTERNAL REVENUE CODE. IF YOU DO NOT UNDERSTAND THIS NOTICE, OR IF YOU HAVE ADDITIONAL QUESTIONS ABOUT RECAPTURE, YOU SHOULD CONSULT YOUR ATTORNEY, A TAX ADVISER OR THE LOCAL OFFICE OF THE INTERNAL REVENUE SERVICE.

I (We) have read this Notice to Mortgagor, and I (We) have received a signed copy of this Notice for my (our) records.


 Buyer signature _____ Date: 7-26-16

Buyer signature _____ Date: _____

--- PLEASE NO
THIS DOCUMENT MUST BE SIGNED CLOSING

