HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
SINGLE FAMILY MORTGAGE REVENUE BONDS

NOTICE TO BUYERS/AUTHORIZATION NOTICE OF POTENTIAL RECAPTURE

MORTGAGE

This mortgage loan is funded from the proceeds of a tax-exempt single family mortgage revenue bond of the Hawaii Housing Finance & Development Corporation, (the "Issuer"), therefore, the Mortgagor(s) is/(are) receiving the benefits of a lower interest rate, other cash costs and/or down payment assistance than is available with other mortgage loans. If the Mortgagor(s) sell or otherwise dispose of the residence during the next 9 years (108 months), this benefit may be "recaptured." Such recapture is accomplished by an increase in the Mortgagor(s) federal income tax for the year in which the residence is sold or disposed of. This recapture only applies if there is a gain resulting from the sale or disposition of the residence and the total annual household income increases above specified levels.

You are encouraged to consult a tax advisor or the Internal Revenue Service at the time of sale or disposition of the residence to determine the amount, if any, of the recapture tax. Following loan closing, you will be provided with additional information that will be needed to calculate the maximum recapture tax liability at the time you sell or dispose of the residence. You may owe a federal “recapture tax” if you sell your home within 9 years, your household income has increased above program limits, **and** you make a profit on the sale. Even if you don’t owe tax, you must file IRS Form 8828 if you sell within 9 years.

Your home is being financed with a mortgage made available with the assistance of the Issuer. This mortgage loan is made with benefits not available with other mortgage loan. Because of this, your mortgage loan provides that you cannot rent your home without the Mortgage Servicer’s prior written consent (which consent will only be given in limited circumstances) or sell your home to a person ineligible for assistance from the Issuer, unless you pay your loan in full.

You must use the home as your primary residence. You may not sell the property to an ineligible buyer unless you first pay your loan in full. No more than fifteen (15%) of the total square footage of the Property may be used for any trade or business purposes, including but not limited to the operation of a childcare service.

You may not rent the property without the Servicer’s prior written consent (which will be given in limited circumstances). If you rent the property without approval, or if you commit fraud or misrepresent information in your loan application, the Lender may foreclose your mortgage loan and repossess the property. If the Lender forecloses for these reasons, HUD, FHA, VA, USDA, the Servicer, and/or the Issuer (as applicable) will not be able to provide assistance.

If the money from a foreclosure sale is not enough to cover what you owe, the Servicer may obtain a court judgment against you for the difference (a “deficiency judgment”). That judgment may then be collected by HUD, FHA, VA, USDA, or the mortgage insurer.

DPA LOAN/SECOND MORTGAGE BUYERS

I/We have applied to the Hawaii Housing Finance and Development Corporation, (the “Issuer”) for a down payment assistance loan under the Issuer's Second Mortgage Loan Program, to be used for the down payment owed or closing costs incurred by me/us in connection with my/our purchase of the property described above (the "Property"). I/We understand that the Second Mortgage Loan cannot be assumed by any person acquiring the Property from me/us.

DISCLOSURE OF MORTGAGOR INFORMATION

The Mortgagor(s) consents that information provided to the Lender, Master Servicer, Program Administrator and the Issuer may be shared with third parties only as necessary for processing, compliance, loan servicing, and program administration.

BORROWER AUTHORIZATION FOR COUNSELING

If I/We fail to make any monthly mortgage payment as agreed, I/we understand that the servicer of my/our mortgage loan may refer me/us to a third-party counseling organization or a mortgage insurer that will advise me/us about finding ways to meet my/our mortgage obligation. I/We hereby authorize the servicer to release certain information related to the servicer’s

SAMPLE

own experience with me/us to such third-party counseling organization or mortgage insurer, and request that the counseling party contact me/us. I/We further hereby authorize the third-party counseling organization or mortgage insurer to make a recommendation about appropriate action to take with regards to my/our mortgage loan, which may assist the servicer in determining whether to restructure my/our loan or to offer other extraordinary services that could preserve my/our long-term home ownership. Participation in counseling does not remove my/our obligation to make payments under my/our mortgage loan.

I/We have read and understand all the Notices and the Authorization shown above.

If the Non-Purchasing Spouse (NPS) was not included in the reservation, please have the NPS execute this document below the borrower(s).

Applicant Name	**Applicant Type**	**Signature**	**Date**
Co-Applicant Name	**Applicant Type**	**Signature**	**Date**
NPS Name	**Applicant Type**	**Signature**	**Date**

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