

# How Can a Household Reduce the Amount Of Potential Recapture?

For any property that received Affordable Housing Program (AHP), Disaster Reconstruction Program (DRP) or Welcome Home Program (WHP) grant assistance from the Federal Home Loan Bank of Cincinnati (the FHLB), the Seller/Owner may be required to repay a pro rata portion of the AHP subsidy in the event of a sale, transfer, assignment of title or deed such as the Secretary of HUD, or refinancing of the property occurring during the 5-year retention period. FHLB will calculate net proceeds<sup>i</sup> to determine how much of a recapture is due. The subsidy repayment calculation prioritizes return of the household's investment<sup>ii</sup> in the home, which means the pro rata subsidy amount subject to repayment cannot exceed what is available from the net proceeds of the sale or refinancing. Complete Subsidy Payoff Recapture Procedures can be found at [www.fhlbcin.com](http://www.fhlbcin.com).

Households who received grant assistance can reduce, or even eliminate, their potential recapture amount by:

1. Selling the property to a household with income that meets the program guidelines. The lender for the Buyer must complete the Certification of Income Eligibility with Instructions, which is generated with the Subsidy Recapture letter, to verify household income. The Seller/Owner will not be required to pay the recapture and the retention language can be removed from the Deed.
2. Submitting paid invoices/and or receipts for any capital improvements made to the property, such as roof, HVAC, or window replacement, etc.
3. Submitting a payment history from their mortgage holder that indicates the amount of principal repaid since the purchase of the property.

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<sup>i</sup> (1) Net Proceeds means in the case of a sale, transfer, or assignment of title or deed of an AHP-assisted unit by a household during the AHP five-year retention period, the sales price minus reasonable and customary costs paid by the household in connection with the transaction (including real estate broker's commission, attorney's fees, and title search fees) and outstanding debt superior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation;

(2) In the case of a refinancing of an AHP-assisted unit by a household during the AHP five-year retention period, the principal amount of the new mortgage minus reasonable and customary costs paid by the household in connection with the transaction (including attorney's fees and title search fees) and the principal amount of the refinanced mortgage.

<sup>ii</sup> Household's investment means the following, to the extent paid by the household and documented (in the Closing Disclosure or other settlement statement, if applicable, or elsewhere) to the Bank or its designee:

- (1) Reasonable and customary costs paid by the household in connection with the purchase of the unit (including real estate broker's commission, attorney's fees, and title search fees);
- (2) Any down payment paid in connection with the household's purchase of the unit;
- (3) The cost of any capital improvements made after the household's purchase of the unit until the time of the subsequent sale, transfer, assignment of title or deed, or refinancing; and
- (4) The amount of principal on any mortgage senior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation repaid by the household.