



**THE
TAX-EXEMPT
FIRST-TIME
HOME BUYER
BOOKLET**



Contents

Welcome	1
Mortgage Eligibility Requirements	2
Income Limits	2
Acquisition Cost	2
Exclusions to Acquisition Cost	3
Targeted and Non-Targeted Areas of the State	3
Prior Ownership Limitation	3
Targeted and Non-Targeted Areas of the State	3
Qualified Veterans	4
Recapture Provision	4
Property Occupancy	4
Penalties	5
Applicant's Affidavit and Certification (Form PRG-43)	6
Seller's Affidavit and Certification (Form PRG-44)	8

About Alaska Housing Finance Corporation

The Alaska Housing Finance Corporation (AHFC) is a self-supporting public corporation with \$5.4 billion in assets. It provides special loan programs for low and moderate-income borrowers, veterans, and those living in rural areas of the state; financing for multi-family, senior, and special needs complexes; secondary financing for single-family homes; energy programs; low income rental housing; and special programs for the homeless and those seeking to become self-sufficient. AHFC is governed by a seven-member Board of Directors.

Welcome to the Alaska Housing Finance Corporation Tax-Exempt First-Time Home Buyer Loan Program

The Alaska Housing Finance Corporation (AHFC) is a public corporation and governmental instrumentality of the State of Alaska. Among its responsibilities is providing long-term mortgage financing for residential housing to be occupied by persons of low-to-moderate income. One way AHFC is meeting this responsibility is through the sale of lower-rate, tax-exempt bonds to finance its Tax-Exempt First-Time Home Buyer Loan Program.

Requirements are imposed on the Tax-Exempt First-Time Home Buyer Program and on participating lenders under the Internal Revenue Code (Code). Interest on Qualified Mortgage Revenue Bonds (QMRB) issued by AHFC to finance the program may be held taxable unless all requirements of the Code are met. You have applied for a mortgage loan from the proceeds of the QMRB, and are therefore receiving the benefit of a lower interest rate than is customarily charged on other mortgage loans. There are specific requirements in regard to qualifying for these mortgage loans. This booklet was created to explain each of these requirements. **You are asked to read each section of this booklet.** If there is any part you do not understand, please contact your lender with your questions.

Prior to a loan commitment from AHFC, you will be required to sign the *Applicant's Affidavit and Certification* located in the back of this booklet. You will also be asked to provide the *Seller's Affidavit and Certification*, which is also located in the back of this booklet, to the seller for signature(s), which needs to be returned to your lender prior to the time your lender plans to make application for a commitment from AHFC. *You only need to return the affidavit and certification forms* – the booklet is yours for future reference. Keep it with your other important papers.

Mortgage Eligibility Requirements

Certain mortgage eligibility requirements must be met to qualify for an AHFC Tax-Exempt First-Time Home Buyer mortgage loan. The basic mortgage eligibility requirements include the income-limitation requirement, the purchase-price (*acquisition cost*) limit, prior-ownership limitation (except for Targeted Areas and Qualified Veterans), occupancy requirement, and recapture requirement, each of which is explained on the following pages.

You cannot use any part of the loan proceeds to acquire or replace an existing mortgage except for the construction period financing or other temporary initial financing for construction. A loan to acquire factory-made housing (a mobile home) qualifies only if the housing is permanently affixed to the land. Please review the following explanations of each requirement before you execute the *Applicant's Affidavit and Certification*. Remember, these guidelines must be reviewed and the affidavit and certification executed prior to the time your lender submits your application to AHFC for a commitment.

Income Limits

The intent of the federal income limits is to determine eligibility as a low to moderate-income borrower. Information with respect to gross monthly income may be obtained from loan documents executed during the four-month period ending on the date of the closing of the mortgage. Household Income is the income of the parties who sign the deed of trust and take title to the property. Annualized Income is the sum of monthly gross pay including any additional income from: overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, Veteran Administration compensation, net rental income, etc., and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments, workers compensation, and disability insurance).

Acquisition Cost

Acquisition cost is the cost of acquiring a residence from the seller as a completed residential unit. (If the residence is so incomplete that it cannot be occupied under existing laws, the reasonable cost of completing the residence sufficiently to permit occupancy must be included in the acquisition cost.) No portion of the proceeds of the AHFC Tax-Exempt First-Time Home Buyer Program loan can be used to acquire appliances, furniture, or other personal property not permanently affixed to the residence. A true and correct copy of the completed real estate purchase contract or construction contract for the purchase of the residence, along with the signed *Seller's Affidavit and Certification*, in the back of this booklet, must be provided to your lender. The purchase price stated in the real estate contract represents the complete agreement between the applicant and the sellers of the residence. The applicant and the sellers cannot enter into an additional contract or agreement, whether written or verbal, expressed or implied, regarding additional construction to the residence or to transfer any other property for additional cost.

Exclusions to Acquisition Cost

The acquisition cost of a residence does not include:

1. usual and reasonable settlement and financing costs (settlement costs include title and transfer fees, title insurance, survey fees and other similar costs; and financing costs include credit report fees, legal fees, appraisal expenses, loan origination or commitment fees, points which are paid by the purchaser(s), or other costs of financing the residence, provided that none of such amounts may 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 includes the purchaser's brothers and sisters (whether by whole or by 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.

Prior Ownership Limitation

Borrowers are required to meet the first-time home buyer's test unless they are a qualified veteran or the property is located in a targeted area. Borrowers cannot meet the first-time home buyer's test if they held any of the following ownership interests in a principal residence during the three years prior to application for an AHFC commitment to purchase the loan: a fee simple interest, a joint tenancy, a tenancy in common, a tenancy by the entirety, a tenant shareholder in a cooperative, a life estate, a land contract pursuant to which possession and burdens of ownership are transferred even though legal title is not transferred until some time later, and a beneficial interest in a trust that would constitute an ownership interest if it were held directly by the mortgagor. Interests which are not considered ownership interests include: a remainder interest, a lease without regard to any purchase option, a mere expectancy to inherit an interest in a principal residence, the interest that a purchaser of a residence acquires upon the execution of a purchase contract, and an interest in other than a principal residence during the previous three years. Ownership of a mobile home that was not permanently affixed to the land is not considered a disqualifying ownership interest. Each person who will be named on the deed of trust or other mortgage instrument and also has an ownership interest in the residence being financed must satisfy the first-time home buyer's test.

Targeted and Non-Targeted Areas of the State

Most areas of the state of Alaska represent *Non-Targeted* areas under definitions established by the Internal Revenue Service. However, some areas are *Targeted* for growth and, as such, have fewer restrictions placed upon the borrowers than those in non-targeted areas. For targeted areas, borrowers do not have to be first-time homebuyers. Contact your lender to determine whether the property you are financing is located in a *Targeted* area of the state.

Qualified Veterans

The prior home ownership limitation does not apply to Qualified Veterans. A “qualified veteran” must meet the following criteria:

- The veteran has not had a previous mortgage loan financed under the Tax-Exempt First-Time Home Buyer Program or the Veteran’s Mortgage Program.
- If retired, discharged, or released from duty, separation must have been under conditions other than dishonorable.
- If not retired, discharged, or released from active duty, has completed his or her initial period of duty and would have been entitled to a discharge or release under conditions other than dishonorable at the end of his or her initial period of duty.

Active duty service in the Armed Forces may qualify. Active duty is full time duty, other than for training, in the United States Army, Navy, Marine Corps, Air Force, or Coast Guard or in a reserve component of the United States Army, Navy, Marine Corps, Air Force or Coast Guard.

Duty in the Public Health Service, National Oceanic and Atmospheric Administration, Coast and Geodetic Survey, United States Military, Air Force, Coast Guard or Naval Academy, may also qualify.

Recapture Provision

Because you are receiving a mortgage loan from the proceeds of tax-exempt Qualified Mortgage Bonds, and as a result receiving the benefit of a lower interest rate on your loan, if you sell or otherwise dispose of your home at a profit during the nine years following loan closing, this lower loan-rate benefit may be partially recaptured in the form of higher 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 above specified levels. You should consult a tax advisor or the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax. At the closing of your loan, you will be required to execute a recapture notice which provides additional information needed to calculate the recapture tax, if applicable.

Property Occupancy

Your home must be located within the state of Alaska and not be occupied by more than one family. If the home was designed for occupancy by two families, it must have been occupied as a residence for more than five years before the date of application for an AHFC commitment to purchase your mortgage. As a purchaser, you (and any other borrower on your loan) are required to occupy one unit. You (and any other borrower) must occupy the home as your principal place of residence within 60 days after the closing of the mortgage, or in the case of a loan made to finance the construction of a home, within 60 days after the completion of the construction. Except in the case of the rental of a unit in a two-unit home, you may not use the home in a trade or business which qualifies you to deduct any portion of the cost of the home as a business expense on your federal income tax return. In any event, you may not use more than 15% of the total area of the

residence in a trade or business. You may not use the residence as an investment property and may not receive any income from the residence or land being purchased with the residence. You may not use the residence as a recreational home. The amount of land being purchased with the residence may not exceed that which maintains the basic livability of the home, and you may not subdivide such land or otherwise sell it. You may not purchase the residence for purposes of resale and may not allow the mortgage on it to be assumed or sell the residence subject to the mortgage, *unless your written approval is granted to do so by AHFC*. Violation of any of the requirements may result in the loss of the interest deduction on the loan, as set for in the Code.

Penalties

You will be subject to penalties if you make any material misstatements or omit any of the information requested on any form or affidavit and certification required to complete this loan process. If so, the following may occur:

1. You may be fined not more than \$5,000 or imprisoned not more than two years, or both, pursuant to Section 1014 of Title 18 of the United States Code.
2. A prosecuting attorney may be contacted for investigation regarding perjury, misrepresentation, and fraud.
3. The outstanding balance of the loan will be immediately due and payable together with accrued interest and foreclosure costs (if foreclosure is necessary because payment in full is not made immediately).

Tax-Exempt First-Time Home Buyer Loan Program
Applicant's Affidavit and Certification



Borrower(s): _____

Date of Application for a Mortgage Loan: _____

Address of Home Being Purchased: _____

Lender's Name: _____

STATE OF ALASKA, To-Wit:

The undersigned Borrower(s) as applicant(s) for a home mortgage loan originated pursuant to the Tax-Exempt First-Time Home Buyer Loan Program of the Alaska Housing Finance Corporation (AHFC), being duly sworn, does hereby represent and warrant as follows:

1. I have received and have reviewed the AHFC Tax-Exempt First-Time Home Buyer's Booklet;
2. I am applying for a loan under AHFC's Tax-Exempt First-Time Home Buyer Loan Program and understand and am complying with the guidelines applicable to this program;
3. The property is located in the state of Alaska, and I understand there is:
 - a. an income limit of \$ _____
 - b. for a family of _____ (number of family members); and
 - c. an acquisition cost limit of \$ _____ for:
_____ Anchorage or _____ the state of Alaska (check whichever applies);
 - d. for a _____ single-family residence or _____ existing duplex (check one);
4. Unless I am a qualified veteran or am purchasing in a non-targeted area of the state of Alaska, I have not had an ownership interest in a principal residence within the last three years immediately preceding application for commitment for a loan from AHFC;
5. I have reviewed the Recapture Provision in regard to future sale of the property;
6. I will occupy this property as my principal residence within 60 days after the date of closing;
7. I will not use the property as investment property and will not receive any income from the residence or land being purchased with the residence with the exception of rental income if the property is a two-unit dwelling; **and**

Tax-Exempt First-Time Home Buyer Loan Program
Seller's Affidavit and Certification



I/we, _____, am/are the Seller(s) or seller's agent for Secretary of Housing and Urban Development, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or Veteran's Administration, of the residence located at _____.

I/we hereby certify that:

1. A true and correct copy of the complete real estate construction contract or sales contract for the purchase of the residence has been provided to the AHFC-approved lender and the purchase price stated therein is true, correct, and complete as stated;
2. The price stated in the real estate sales contract represents the complete agreement between the purchaser (or any related party to or for the benefit of the purchaser) and the seller (or any related party to or for the benefit of the seller) including the price of all fixtures, and reflects any indebtedness assumed or incurred by the purchaser or anyone acting on behalf directly or indirectly (including any special assessments or similar charges);
3. No portion of the purchase price is to be used to acquire appliances, furniture or other personal property not permanently affixed to the residence;
4. I have entered into no contract or agreement, either express or implied, with the buyer of the residence to perform additional construction on the residence or to transfer any additional property for additional cost other than personal property contained in the residence which is listed by item and amount in the sheet(s) attached hereto as an exhibit and made part of this affidavit and certification;
5. I certify that the residence is a single-family residence, or, if the residence is a two-unit residence, the residence has been occupied as a residence for at least five years before the date of application for an AHFC commitment to fund the loan for the purchaser; and
6. I acknowledge that this affidavit and certification will be relied on by the Alaska Housing Finance Corporation for purposes of determining the buyer's eligibility for a mortgage loan. I acknowledge that a false statement by me in this affidavit and certification, which is being made in connection with the buyer's application for a mortgage loan, is a crime under

Alaska law, and will constitute a federal violation punishable by a fine, acceleration of the loan, or any other criminal penalty imposed by law.

May not be signed by any real estate agent(s)/broker(s).

(May be signed by an agent acting as seller for the Secretary of Housing and Urban Development, Fannie Mae, Freddie Mac, or the Veteran's Administration)

Seller's Signature

Date

STATE OF ALASKA)
) ss.
_____ JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this _____ day of _____, _____
by _____

Notary Public in and for Alaska

My Commission Expires: _____

Seller's Signature

Date

STATE OF ALASKA)
) ss.
_____ JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this _____ day of _____, _____
by _____

Notary Public in and for Alaska

My Commission Expires: _____



P.O. Box 101020
4300 Boniface Parkway
Anchorage, AK 99510-1020

Phone: (907) 338-6100
Toll Free: 1-800-478-AHFC (2436)

www.ahfc.us

Revised 11/11