

**APPENDIX 6**

**INTEREST ASSISTANCE**

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## APPENDIX 6

### INTEREST ASSISTANCE

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In 1991, the Agency provided interest assistance to eligible borrowers to enhance their repayment ability. Beyond 1991, interest assistance was not offered in connection with a SFHGLP guarantee. A relatively small number of loans providing interest assistance are still active. For those lenders who have interest assistance guarantees in their portfolio, it is important to administer the remaining loans correctly. Section 1, Interest Assistance, provides instructions for conducting annual and interim reviews, calculating interest assistance, and paying the lender's processing fee. Section 2 of this Appendix provides guidance on what triggers recapture and how it is calculated.

#### SECTION 1: INTEREST ASSISTANCE

##### AGREEMENTS

The lender is responsible for conducting annual and interim reviews of household income to ensure that the household continues to be eligible to receive interest assistance, and that the amount of the assistance provided is correct. *Form RD 3555-13, "Annual Interest Assistance Agreement,"* is used to determine the amount of assistance for the coming year. The Agency's Deputy Chief Financial Officer, St. Louis, Missouri generates to lenders on an annual basis a *Notice of SFH Interest Assistance Expiring within 90 Days* which provides lenders with a list of expiring interest assistance agreements within the ensuing 90 days. A copy of this notice is provided to the Agency office. The lender provides *Form RD 3555-13* to the borrower, who fills out Section II, signs the form, attaches any required documentation, and returns it to the lender. When the borrower returns the form to the lender, the lender verifies sources and amounts and determines adjusted income.

The lender then submits *Form RD 3555-13* to the Agency for approval, and the Agency reviews the lender's calculations. If any errors are found, the Agency will contact the lender and provide guidance on the necessary corrective actions. It is the lender's responsibility to resolve any inconsistencies with the borrower.

In the case of a transfer/assumption, approved by the Agency, in accordance with Chapter 17 of this handbook, interest assistance may be granted to the transferor provided the eligibility criteria of this appendix are met and the transferor executes *Form RD 3555-12, "Master Interest Assistance and Shared Equity Agreement with Promissory Note."*

## **PROCESSING FEE**

The Agency will reimburse the lender in the amount of \$40.00 for the cost of processing *Form RD 3555-13* whether or not the agreement results in continued assistance. The Agency will pay the fee upon receipt of a valid agreement if:

- A new agreement is made at the annual renewal date;
- The borrower has a change in circumstances that requires a revision to the current agreement. However, a processing fee will not be paid when the revision to an existing agreement is required due to an error on the part of the lender or borrower; or
- The borrower is eligible for but not presently on interest assistance and enters into a new *Form RD 3555-13*.

## **ANNUAL AND INTERIM REVIEWS**

### ***Annual Reviews***

The lender must review annually each borrower receiving interest assistance to determine whether the household is eligible to continue to receive interest assistance, and whether any adjustments need to be made. It is expected that borrower incomes will change from year to year. However, if the household's income exceeds the previous year's income by 20 percent or more, the lender must determine when the change in income occurred, and whether it resulted in an overpayment of interest assistance. If so, the lender must follow the procedures for collecting overpayment of interest assistance.

Approximately 90 days before the expiration date of the borrower's current interest assistance agreement the Deputy Chief Financial Officer (DCFO) will generate a notice to the lender to initiate the annual review process. The lender should complete the annual review in time for the new amount to be effective on the anniversary date of the borrower's current agreement. If the annual review is not completed by the expiration date of the existing agreement, the renewal date will be either:

- The expiration date of the previous agreement, if an Agency or lender error caused the delay; or
  - In all other cases the next payment due date after the renewal is approved.
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### ***The Review Period for Self-Employed Applicants***

For a self-employed applicant, the initial interest assistance agreement will run from the effective date to three months after the end of the applicant's business fiscal year, but not more than a 12-month period. This will allow subsequent agreements to coincide with the applicant's business fiscal year, with a three-month overlap, to provide sufficient time for the applicant to supply verification of the previous year's income.

### ***The Review Period for Unemployed Applicants***

For an applicant receiving unemployment benefits, the agreement will be effective for the period during which the applicant will receive unemployment benefits, or, if the period is unknown, no longer than six months. The lender will establish the expiration date of the agreement.

### ***Interim Reviews***

Interim reviews are triggered when the lender becomes aware that an adult member of the household receiving interest assistance changes jobs or obtains employment, when the household composition changes, or when income increases by more than \$100.00 per month. A borrower whose income decreases by \$100 or more per month may report the change and ask the lender to determine whether the decrease qualifies the borrower for additional interest assistance. When the borrower provides new information, the lender must determine whether the change would grant at least \$20 per month additional interest assistance. If so, the lender processes a new interest assistance agreement. The borrower's next annual review is scheduled for 12 months after the effective date of the change in payments.

## **DETERMINING ELIGIBILITY FOR CONTINUED INTEREST ASSISTANCE**

Lenders must determine whether any of the following conditions keep the borrower from qualifying for continued interest assistance:

The borrower has ceased to occupy the property, unless the lender determines that the dwelling is uninhabitable or that the borrower may be absent temporarily from the property for reasons such as seasonal or migratory employment, military callings, or hospitalization;

- The security property has been sold or title to the property has been transferred;
- The borrower's subsidized interest rate equals or exceeds the promissory note rate; or



- The borrower qualifies for less than \$20 per month interest assistance.

If the borrower has ceased to occupy the property, or has sold or transferred title to the property, the lender must determine when the change occurred. If the borrower has received interest assistance since the change, the lender must notify the Agency that the borrower may have received an overpayment. The lender must also notify the borrower of the potential for repayment of the overpayment.

### CALCULATING INTEREST ASSISTANCE

The household’s adjusted median income and whether the property is located in a high-cost area are the key factors in determining the subsidized interest rate the borrower must pay. The amount of interest assistance granted will be the difference between the monthly installment due on the promissory note eligible for interest assistance and the amount the borrower would pay if the note were amortized at the rate corresponding to the borrower’s income range as follows: However, the borrower’s interest rate can never fall below the floor interest rate – the subsidized interest rate that was in place at loan closing. The interest rate to be paid by the borrower is determined as follows. Note that the interest rate will be either the rate described below or the note rate, whichever is less; in no case will the interest rate be less than 3 percent or less than the floor interest rate the borrower received at loan closing.

Percentage of Median Income		Interest Assistance	
<i>When the Borrower’s income is:</i>		<i>Borrower’s Floor Rate is:</i>	
More Than:	But Less Than:	High Cost Area Floor Rate is:	Non-High Cost Area Floor Rate is:
55 percent	60 percent	3 percent	3 percent
60 percent	65 percent	4 percent	3 percent
65 percent	70 percent	5 percent	4 percent
70 percent	75 percent	6 percent	5 percent
75 percent	80 percent	7 percent	6 percent

If the dollar amount of the payment to be made by the Agency falls below \$20 per month, the borrower will no longer be eligible for interest assistance.

### PROCESSING ANNUAL INTEREST ASSISTANCE

Upon review and approval of a lender’s submitted Form *RD 3555-13*, the Agency will access the system production environment (block mode) known as NITC. Choose *Guaranteed Loan*

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from the NITC menu. At the *Guaranteed Loan MAIN MENU*, select *Loan Servicing Menu*. Select *UPDATE Interest Asst Agreement* to renew or change the interest assistance. Select *CANCEL Interest Asst Agreement* to cancel the interest assistance. Select *VIEW Interest Assistance* for summary information regarding the interest assistance.

The Agency will not receive a report that the agreement will be expiring. The Agency may monitor the agreements in their portfolio by pulling a GLS Report from the Single Family Housing Reports menu under “*Lender Notice*” submenu, followed by the selection of “*GLSNT07 - Notice of SFH Interest Assistance expiring in 90 Days*” report.

The Agency may also monitor payment of interest assistance to borrowers, by processing a GLSBR01 – Borrower Register report from the Activity Register Reports submenu of the Single Family Housing Reports menu in GLS. The transaction code to enter at the search criteria for payments is transaction code “4055.”

From the “*GLS Loan View*” screen, the Agency may confirm the eligibility or continued assistance of a borrower by viewing the “*RH Information*” section. The subsection “*Interest Asst*” will bear a code 1 (Eligible for Int Asst), 2 (Ineligible for Int Asst) or 3 (Eligible & Receiving Int Asst). The “*Active Interest Asst*” will be Yes (receiving) or No (not receiving).

The Agency remains responsible for the timely submission of interest assistance renewal requests by lenders. Assistance with processing questions can be directed to DCFO.

## **RETURNING TO INTEREST ASSISTANCE**

Some borrowers who have received interest assistance experience increases in income such that they no longer qualify for interest assistance. Should such a household experience a decline in income later in the life of the loan, the borrower may be eligible to begin receiving interest assistance again. To qualify to receive assistance again, the loan must have been approved as a subsidized guaranteed loan on or after April 17, 1991, the borrower must have executed *Form RD 3555-12* at loan closing, and must have an adjusted household income that is at or below the applicable low-income limit.

## **INTEREST ASSISTANCE DURING LOAN LIQUIDATION**

If a borrower’s loan is accelerated, the interest assistance is not canceled. However, should the agreement expire during the liquidation process, it will not be renewed. If the lender



stops its liquidation proceedings after the interest assistance agreement has expired, interest assistance can be reinstated, provided the borrower remains eligible for assistance. The lender must request reinstatement from the Agency approving office, which will then update the action in the Guaranteed Loan System.

## **OVERPAYMENT OF INTEREST ASSISTANCE**

### ***Requirements after an Overpayment***

Borrowers may receive more interest assistance than they were eligible for as a result of factors such as misreported household income, calculation errors, or failure on the part of the borrower to report income increases. The difference between the amount of interest assistance the borrower received and the amount that would have been received at the proper interest rate constitutes an overpayment.

The lender must ensure that an arrangement for repayment of the overpayment amount are done through one of the approved methods and is put in place within 30 days after all appeal rights have been exhausted. If no arrangement has been made, the lender must accelerate the guaranteed loan. If a satisfactory repayment arrangement is made, the Agency will continue to honor the loan guarantee.

### ***Methods of Collecting Overpayments of Interest Assistance***

Borrowers who provided false information must repay the overpayment amount in a lump sum within 30 days after all appeal rights have been exhausted, or the loan will be accelerated. For all other borrowers, including borrowers who unintentionally provide inaccurate information, repayment can be made in the following ways.

- Borrowers who can do so are encouraged to repay the overpayment amount in a lump sum.
  - If the borrower is eligible for further interest assistance and has not repaid the overpayment amount in a lump sum, the Agency will collect the overpayment amount over the course of the following 12 months by reducing the amount of its interest assistance payments by 1/12 of the overpayment amount each month as shown on Form RD 3555-13.
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- Some borrowers who do not repay the overpayment amount in a lump sum may not be eligible for further interest assistance, or the amount of interest assistance may not be sufficient to cover the overpayment. In this case, the lender must negotiate a repayment schedule with the borrower in a way that will minimize the possibility that the repayment of the loan will suffer. The lender will collect monthly payments from the borrower and remit the payments to the Agency. Interest Assistance repayment will never take more than 12 months unless prior authorization is obtained by the State Director.
- If the borrower is unwilling to cooperate and repay the interest assistance overpayment through interest assistance deductions or voluntary repayment, the Rural Development servicing official will obtain the advice of the State or National Office as appropriate.

## **SECTION 2: INTEREST ASSISTANCE SHARED EQUITY**

### **RECAPTURE REQUIREMENTS**

#### **OVERVIEW**

Borrowers with interest assistance receive substantial amounts of subsidy over the course of the loan repayment period. At the time of loan closing, the borrower will have signed *Form RD 3555-12* which requires repayment of some or the entire subsidy when the borrower ceases to occupy the property or transfers title. The purpose of this policy is to provide borrowers with the opportunity to realize a benefit from increased equity in their properties, while requiring repayment of a portion of the assistance received if the borrower has realized value appreciation.

#### **TRIGGERING RECAPTURE**

##### ***General Rule***

Interest assistance subject to recapture must be repaid whenever the borrower ceases to occupy the property or transfers title. If the borrower is absent from the property temporarily for reasons such as seasonal or migratory employment, military duty, or hospitalization, recapture is not triggered.



### ***Exceptions***

When a loan is assumed in connection with a transfer, recapture will not be calculated or collected at that time. When the new borrower transfers title or ceases to occupy the property, all interest assistance subject to recapture from both before and after the assumption must be repaid.

Generally, when a loan is foreclosed the Agency will not require the recapture of interest assistance. However, recapture is required if:

- The property is sold at or prior to foreclosure for an amount exceeding the lender's unpaid balance and costs of foreclosure; or
- A junior lienholder takes over the lender's loan.

### ***Lender Responsibilities***

The lender is responsible for collecting the amount of recapture due from the borrower. When recapture is triggered, the lender must notify the Agency and request information regarding the amount of interest assistance that could be subject to recapture. Agency staff will obtain the amount of interest assistance from the Guaranteed Loan System account records and the average interest rate paid from the Deputy Chief Financial Office in St. Louis, Missouri. The lender must then notify the borrower of the maximum potential recapture amount and offer the borrower an opportunity to provide the information needed to calculate a reduced amount. If an entity other than the Agency provides assistance to a borrower and requires recapture, collection of the Agency's recapture amounts has priority over recapture by the other entity.

The recapture amount is calculated based on a projected payoff date. If the actual payoff date is different than the date used to calculate the recapture amount, the borrower may be entitled to a refund, or may owe an additional amount. If the borrower is entitled to a refund, the Agency will provide the lender with the reimbursement. If the borrower owes an additional amount, the lender must collect the remaining funds and submit them to the Agency before releasing the security instruments. Security instruments must not be released until the Agency receives and verifies the recapture payment.

### **SHARED EQUITY DETERMINATION - CALCULATING RECAPTURE**

Even though the Agency will calculate the recapture amount, it is important for lenders to understand the recapture calculation well enough to explain to borrowers, should they have questions. This paragraph describes each component of the recapture formula. At the end of this

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appendix is a recapture worksheet that illustrates how the recapture amount is calculated and a case study that illustrates the recapture concepts discussed in this section. The lender will submit the final documentation requesting calculation of the recapture to the Agency. The Agency will utilize *Form RD 3555-14* to calculate the recapture due the Agency.

The amount of recapture the borrower must pay is the lesser of:

- The total amount of interest assistance received over the life of the loan; or
- The calculation of shared equity due Rural Development. Thus, if there is no value appreciation in the property, there will be no recapture amount due.

### **CALCULATION OF VALUE APPRECIATION**

“Appreciation” generally means the difference between the value of the property when it was purchased and its current market value. “Value appreciation” for the purposes of recapture is calculated with a specific formula that accounts for the borrower’s mortgage debt and sales expenses related to the property, as well as equity. The formula for calculating value appreciation is:

#### **Current market value**

*less the following:*

- Balance due prior lien holders;
- Guaranteed mortgage balance owed by borrower;
- Sales/refinancing costs;
- Principal reduction;
- Original equity; and
- Capital improvement equity.

*equals* **Value Appreciation**



The following paragraphs explain each element of the calculation of the distribution of funds.

### **CURRENT MARKET VALUE**

Recapture must be based on the current value of the property, whether it is being sold or not. The amount of the recapture to be collected can only be reduced based on an accurate assessment of market value documented from one of the following sources:

- A sales contract;
- An appraisal conducted by a lender;
- Another current appraisal that meets the Agency's requirements if neither a sales contract nor a lender's appraisal is available;
- The amount of the insurance payoff, information from tax records, comparable sales, or a recent appraisal that represents an accurate indication of the value, if the property has been damaged or destroyed so that an appraisal is not a viable alternative for determining value; or
- Agency appraisal, with prior approval of the State Director.

A BPO is not acceptable documentation of market value for this purpose.

### **BALANCE DUE TO PRIOR LIEN HOLDERS**

Deferred and past-due real estate taxes and assessments that are to be paid by the borrower without reimbursement by another party should be included in this figure.

### **BALANCE OWED BY BORROWER**

With the exception of late fees, all amounts owed by the borrower that are being paid off, including principal and interest, protective advances, and unauthorized assistance, should be included.

### **SALES/REFINANCING COSTS**

The costs involved in selling or refinancing the property can be deducted from the market value if they are not reimbursed from another source, such as an employer, and if they are

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documented by a good faith estimate provided by the lender or closing agent. Such costs should be customary and typical for the type of transaction and include, but are not limited to the following:

- Sales commission;
- Advertising costs;
- Recording fees;
- Pro rata share of taxes;
- Points based on the current interest rate;
- Appraisal fees;
- Transfer tax;
- Deed preparation fee; and
- Loan origination fee.

In refinancing situations, only those expenses necessary to refinance the amount of the current guaranteed debt, plus recapture, are allowed. Estimated expenses may be used if Agency staff is confident that the estimates are accurate. Anticipated costs for future transactions are not permissible.

#### **PRINCIPAL REDUCTION**

This figure is based on the amount of principal reduction at the note rate on the account.

#### **ORIGINAL EQUITY**

Original equity includes any down payment made by the borrower and any difference between the original market value of the property and the amount of the original loan. Prepaid taxes and insurance are not considered original equity, nor are contributions toward closing costs. This amount can be found on *Form RD 3555-12*.

Recapture amounts paid may be considered mortgage interest paid, which may be a deductible expense for the purposes of personal income taxes in the year paid. The borrower should be advised to seek the guidance of a tax counselor or the IRS regarding allowable tax deductions.

## CAPITAL IMPROVEMENT CREDIT

Capital improvements are additions that add to the value of the property above and beyond repairs that maintain the property in good condition. General maintenance to keep the property in good condition is not considered a capital improvement. Examples of activities that do not qualify as capital improvements include: yard maintenance, painting, wallpapering, floor coverings, roofing, siding, wells, septic systems, appliances, furnaces, or water heaters. Examples of capital improvements include: building a garage, constructing a den or playroom, or adding a deck, patio, pool, porch, fence, storm windows, sky lights, outside lighting, or landscaping.

The value of a capital improvement can be determined by an appraiser based on the change in the property's value attributable to the improvement. The **cost** of making the improvement **should not be considered** when making this assessment. A borrower who wishes to receive credit for capital improvements should specifically request the appraiser to provide this service.

## CALCULATION OF SHARED EQUITY DUE THE AGENCY

If there is no value appreciation, there is no shared equity due the Agency. For guarantees who received interest assistance, the calculation of shared equity due the Agency is computed by considering the average interest rate factor (obtained from the Deputy Chief Financial Officer) applied to the following table to obtain the table factor. Multiply the table factor by the value appreciation less the percentage of original equity to determine amount. The amount due equals the lesser of the amount arrived at when utilizing the table factor calculation or the actual interest assistance received over the life of the loan.

months loan outstanding	Average interest rate paid							
	1%	2%	3%	4%	5%	6%	7%	>7%
0 - 59	.50	.50	.50	.50	.44	.32	.22	.11
60 - 119	.50	.50	.50	.49	.42	.31	.21	.11
120 - 179	.50	.50	.50	.48	.40	.30	.20	.10
180 - 239	.50	.50	.49	.42	.36	.26	.18	.09
240 - 299	.50	.50	.46	.38	.33	.24	.17	.09
300 - 359	.50	.45	.40	.34	.29	.21	.14	.09
360 & up	.47	.40	.36	.31	.26	.19	.13	.09

The Agency will process receipt of the shared equity payment on Form RD 451-2 as a

Miscellaneous Collection Code 35. *Form RD 3555-87, "Shared Equity Payment"* will be forwarded to DCFO as notification of the payoff of recapture.

The lender is responsible for requesting calculation of the shared equity due the Agency for any loan granted interest assistance during the term of the loan and prior to payment in full of unpaid principal balance, accrued interest and fees, if any.

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RECAPTURE WORKSHEET

<b>Part I. Value Appreciation (If any calculation in this section yields zero or less, skip to Line 21 and record a zero.)</b>	
1.	Current market value
2.	(less) Balance due prior lien holders
3.	Balance (Line 1 - Line 2)
4.	(less) Balance owed by borrower
5.	Balance (Line 3 - Line 4)
6.	(less) Sales/Refinancing costs
7.	Balance (Line 5 - Line 6)
8.	(less) Principal reduction
9.	Balance (Line 7 - Line 8)
10.	(less) Original equity
11.	Balance (Line 9 - Line 10)
12.	(less) Capital improvement credit
13.	Value appreciation (Line 11 - Line 12)
<b>Part II. Value Appreciation Subject to Recapture</b>	
14.	Dollar value of value appreciation (Line 13)
15.	Table factor.
16.	Value appreciation by table factor (Line 14 x Line 15)
17.	Percentage of original equity (from Interest Assistance Agreement)
18.	Value appreciation (Line 16 x Line 17)
19.	Value appreciation subject to recapture (Line 16 - Line 18)
<b>Part III. Amount Due if There is Value Appreciation</b>	
20.	Amount of interest assistance received
21.	Recapture amount (lesser of Line 19 or 20)

## INTEREST ASSISTANCE RECAPTURE CASE STUDY

### THE SITUATION

John and Sharon Potter bought their home 10 years ago for \$50,500. The home appraised for \$50,500 but they only qualified for a loan of \$50,000. They borrowed \$50,000 through a 30 year guaranteed loan and paid the remaining \$500 of the purchase price and \$1,000 for closing costs out of their savings.

The Potters' note rate is 7 percent, but they received interest assistance with a reduced interest rate of 4 percent for the first 5 years. Then John got a big promotion, at which point the Potters were no longer eligible for interest assistance.

Last year, the Potters added a deck. The materials cost \$1,250, but since they built it themselves, there were no labor costs.

Sharon just got a great new job, and the family is selling the house and moving to a larger home. They are working with Big Bank to finance the new home. They are putting down \$5,000, paying \$1,000 in points, and are financing the rest of the closing costs.

In preparation for selling the house, the Potters spent \$3,000 on new wall-to-wall carpeting and installed a new high-efficiency water heater for \$500.

The Potters have found buyers for their house and have signed a sales contract for \$65,000. They must pay \$1,500 in sales costs, and must pay their current lender \$42,988 to pay off their existing loan (exclusive of recapture).

### INPUTS FOR VALUE APPRECIATION CALCULATION

- **Current market value.** The house is being sold in an arm's length transaction, the \$65,000 sales contract price can be used as current market value.
- **Balance due to prior lien holders.** There are no prior lien holders in this case.
- **Balance owed by borrower.** The remaining loan balance due the lender is \$42,988.
- **Non-reimbursable sales costs.** The Potters are paying \$1,500 in non-reimbursable sales costs to sell their home.
- **Principal reduction.** The Potters' principal reduction at the note rate was \$7,012.
- **Original equity.** The difference between the purchase price and the amount of the loan was \$500 and represents 1% of the market value of the security at the time the loan was made to the Potters.

- **Capital improvement credit.** When the new buyer's appraiser appraised the property, the Potters asked if he would document the increased value attributable to the improvements they had made. They showed him their receipts for \$1,250 for the deck and described the labor they had put into it. However, the appraiser concluded that the deck only added \$500 to the overall value of the home.

They also provided receipts for the carpet (\$3,000) and the water heater (\$500) for a total of \$3,500. However, since the carpet and water heater are not capital improvements, only the \$500 value increase from the deck can be counted.

### INPUTS FOR RECAPTURE CALCULATION

- **Value appreciation.** As Part I. of the Recapture Worksheet shows, the Potters' value appreciation was \$12,500.
- **Recapture factor from table.** The Potters' average interest rate was .50, derived from information obtained from DCFO and the factor table above.
- **Appreciation attributable to original equity.** The Potters' original equity was \$500 or 1 percent of the original market value of \$50,500.
- **Amount of interest assistance received.** The Agency provided \$7,101 of interest assistance over the course of the loan.

### RESULTS

- **Value appreciation subject to recapture.** As line 19 of the Potter Family Recapture Worksheet shows, the value appreciation subject to recapture is \$6,188.
  - **Recapture amount.** The value appreciation subject to recapture is less than the amount of interest assistance the household received; therefore, the Potter's recapture amount is \$6,188.
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**POTTER FAMILY  
RECAPTURE WORKSHEET**

<b>Part I. Value Appreciation (If any calculation in this section yields zero or less, skip to Line 21 and record a zero.)</b>		
1.	Current market value	\$65,000
2.	(less) Balance due prior lien holders	\$0
3.	Balance (Line 1 - Line 2)	\$65,000
4.	(less) Balance owed by borrower	\$42,988
5.	Balance (Line 3 - Line 4)	\$22,012
6.	(less) Sales/Refinancing costs	\$1,500
7.	Balance (Line 5 - Line 6)	\$20,512
8.	(less) Principal reduction	\$7,012
9.	Balance (Line 7 - Line 8)	\$13,500
10.	(less) Original equity	\$500
11.	Balance (Line 9 - Line 10)	\$13,000
12.	(less) Capital improvement credit	\$500
13.	Value appreciation (Line 11 - Line 12)	\$12,500
<b>Part II. Value Appreciation Subject to Recapture</b>		
14.	Dollar value of value appreciation (Line 13)	\$12,500
15.	Recapture percentage (lesser of 50% or percentage contained in Interest Assistance Agreement)	50%
16.	Value appreciation reduced by recapture percentage (Line 14 x Line 15)	\$6,250
17.	Percentage of original equity (from Interest Assistance Agreement)	1%
18.	Value appreciation, reduced by recapture percentage, attributable to original equity (Line 16 x Line 17)	\$62
19.	Value appreciation subject to recapture (Line 16 - Line 18)	\$6,188
<b>Part III. Amount Due if There is Value Appreciation</b>		
20.	Amount of interest assistance received	\$7,101
21.	Recapture amount (lesser of Line 19 or 20)	\$6,188