

Form RD 3550-12  
(Rev. 8-00)

United States Department of Agriculture  
Rural Housing Service

Form Approved  
OMB No. 0575-0172

**SUBSIDY REPAYMENT AGREEMENT**

1. As required under section 521 of the Housing Act of 1949 (42 U.S.C. 1490a), subsidy received in accordance with a loan under section 502 of the Housing Act of 1949 is repayable to the Government upon the disposition or nonoccupancy of the security property. Deferred mortgage payments are included as subsidy under this agreement.

2. When I fail to occupy or transfer title to my home, recapture is due. If I refinance or otherwise pay in full without transfer of title and continue to occupy the property, the amount of recapture will be calculated but, payment of recapture can be deferred, interest free, until the property is subsequently sold or vacated. If deferred, the Government mortgage can be subordinated but will not be released nor the promissory note satisfied until the Government is paid in full. In situations where deferral of recapture is an option, recapture will be discounted 25% if paid in full at time of settlement.

3. Market value at time of initial subsidy \$ (1) less amount of Rural Housing Service (RHS) loans \$ (2) less amount of any prior liens \$ (3) equals my/our original equity \$ (4). This amount equals (5) % of the market value as determined by dividing original equity by the market value.

4. If all loans are not subject to recapture, or if all loans subject to recapture are not being paid, the amount to be recaptured is computed according to the following formula. Divide the balance of loans subject to recapture that are being paid by the balance of all open loans. Multiply the result by 100 to determine the percent of the outstanding balance of open loans being paid.

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	

6. Calculating Recapture

Market value (at the time of transfer or abandonment)

LESS

- Prior liens,
- RHS balance,
- Reasonable closing costs,
- Principal reduction at note rate,
- Original equity (see paragraph 3), and
- Capital improvements (see 7 CFR part 3550).

EQUALS

Appreciation value. (If this is a positive value, continue.)

TIMES

- Percentage in paragraph 4 (if applicable),
- Percentage in paragraph 5, and
- Return on borrower's original equity (100% - percentage in paragraph 3).

EQUALS

Value appreciation subject to recapture. Recapture due equals the lesser of this figure or the amount of subsidy received.

Borrower agrees to pay recapture in accordance with this agreement.

Borrower	Date
Borrower	Date

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 3 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

This system generated form is used to notify borrowers of recapture requirements and to provide the conditions and formula for calculating the amount of recapture due to the Government.

SYSTEM WILL:

- (1) Insert market value from appraisal form.
- (2) Insert the amount of the loan.
- (3) Indicate prior liens, if applicable.
- (4) Insert original equity amount.
- (5) Insert percent of original equity.

BORROWER WILL:  
Sign and date form.

PROCEDURE FOR PREPARATION

: HB-1-3550 and HB-2-3550.

PREPARED BY

: System generated by loan approval official or designee.

NUMBER OF COPIES

: Original and three copies.

SIGNATURE REQUIRED

: Borrowers.

DISTRIBUTION OF COPIES

: RHS: Original executed form filed with the Promissory Note in locked file or safe. Copy in case file. Closing Agent: Conformed copy. Borrowers: Conformed copy.