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March 3, 2006

Directive 2006-1

MEMORANDUM: ALL PARTICIPATING LENDERS

SUBJECT: RECAPTURE TAX REIMBURSEMENT

The purpose of this Directive is to advise you of our new procedure for reimbursing borrowers who were required to pay a recapture tax when they sold their home. This Directive will be uploaded to our website (under [Just for Lenders](#), click on Single Family Housing Directives) and also to Lender On-Line (under [Program Documents](#), click on Single Family Housing Directives).

CDA agrees to reimburse any CDA homebuyer, who settles on their home *on or after July 1, 2005*, the amount of any recapture tax that the CDA homebuyer pays in connection with the sale of their home. On page 12 of the [Lender's Manual \(02/23/06\)](#) is an outline of the procedure the borrower must follow to request a recapture tax reimbursement. This procedure is also outlined on the cover sheet to the current [Notice to Borrower with Information for Calculating Potential Tax \(11/04/05\)](#). This cover sheet should be given to the borrower at the time of application. CDA will issue an IRS Form 1099 to the borrower for the amount of the recapture tax reimbursement and this amount will be reported to the IRS as income.

As always we appreciate your continued participation in MMP. If you have any questions concerning this Directive or suggestions for improving our Program, please contact me directly at (410) 514-7508 or 1-800-638-7781 or by e-mail at manahan@mdhousing.org.

Sincerely,

William J. Manahan

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Single Family Housing

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