



West Virginia Housing
Development Fund

NMLS #198038

Recapture FAQ

Updated April 2025

What is “recapture?”

Recapture is repaying the federal government for the benefit of using WVHDF's low-interest rate Homeownership Program. When tax-exempt mortgage bonds are used for financing, the borrower receives a benefit, in this case a lower-than-market interest rate.

When does recapture apply?

Recapture applies when and if:

- The borrower sells the home within the first 9 full years of ownership
- The borrower realizes a capital gain on the sale of the home
- The borrower's income increases above the federal allowable limits at the time of the sale.
- *No recapture tax is due unless all three occur.*

What are the income limits and where are they found?

After closing, you will receive a letter with information on the limits.

When is recapture paid?

Recapture tax is paid when income tax returns are filed.

When does recapture not need to be paid?

Recapture may not need to be paid when:

- There is no profit made on the sale of the home
- The home is refinanced
- The borrower dies within the first 9 years of owning the home
- The home is destroyed by fire, flood, or other natural disaster and is rebuilt on the same site within 2 years of receiving insurance proceeds.

What if the loan is assumed?

If the sale or transfer occurs before year 10 of homeownership, the original borrower pays any recapture tax that may be due, and a new 9-year period begins for the assuming borrower.

How is the increase in income calculated and what is the federal allowable limit?

An increase of more than 5% per year during ownership of the home may make you a candidate for recapture.

However, this income increase is not determined from your actual compliance income as calculated at the time of purchase; rather it is determined by using the applicable maximum compliance limit at the time of your purchase. In other words, if the applicable maximum compliance income limit was \$75,000 when you bought your home and your actual compliance income was \$50,000, the 5% income increase limit is calculated from \$75,000, not \$50,000.