



North Carolina
Department of Commerce
Division of Community Assistance

Michael F. Easley, Governor
James T. Fain III, Secretary

Gloria Nance-Sims, Director

BULLETIN: 04-03
SUBJECT: Clarification of Recapture Provisions
DATE ISSUED: February 1, 2005
ATTENTION: All CDBG Recipients

Recent CDBG program monitoring has indicated problems with rehabilitation loan recapture provisions. The purpose of this bulletin is to clarify repayment provisions and conditions for rehabilitation and owner-occupied relocation loans when a house is sold, the recipient no longer occupies the home, or the recipient dies while the recapture provision is in effect.

Effective the issuance date of this bulletin, each recipient must ensure the following:


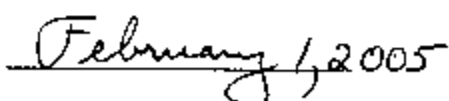
1. If the grant recipient no longer occupies the dwelling or dies, the heirs of the property are responsible for meeting the terms of the recapture period and loan agreement in effect when the dwelling was rehabilitated or owner occupied relocation benefits were provided.
2. If the heirs rent the dwelling, the assisted unit must be rented to a low/moderate-income occupant in order for the property to remain in good standing with the requirements. However, if the assisted unit is rented to an occupant that is over income, then the loan agreement must be repaid according to the approved recapture period schedule.
3. If the property is sold, the heirs must repay the loan agreement according to the approved recapture period schedule.

Please be reminded, grantees should develop review systems that ensure all terms and conditions associated with CDBG rehabilitation and owner occupied relocation loans are properly tracked and administered over the life of the agreement.

Please address any questions concerning this bulletin to your program representative.

Gloria Nance-Sims, Director

Date February 1, 2005

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