

**Kentucky Housing Corporations Single-Family Procedures  
Including CFPB Procedures  
January 7, 2014**

**1. TILA Ability-To-Repay (ATR) and Qualified Mortgage Stds. (QM)  
Effective with new loan applications taken on or after January 10, 2014**

Extensions of credit under a program administered by KHC are exempt from this rule. KHC lenders that extend credit in accordance with our program guidelines are also exempt. As a best practice, KHC will require all originating lenders to comply with the general Ability-To-Repay (ATR) standards and consider DTI in making reasonable, good faith determinations that the consumer has the ability to repay the loan. KHC's credit standards and maximum ratio requirements will be listed in the Secondary Market and Mortgage Revenue Bond program Guides.

**2. RESPA and TILA High-Cost Mortgage and Homeownership  
Counseling (Regs X and Z) Effective January 10, 2014**

State Housing Finance Agencies are exempt from this rule. Nonetheless, KHC will not allow high-cost mortgages under the revised HOEPA coverage test.

All lenders must comply with the counseling requirement for all first lien transactions by providing a listing of HUD-approved counseling agencies within 3 business days of application. KHC will provide a list on our website of KHC- Approved HUD counseling agencies to meet this requirement.

**3. TILA Loan Originator Compensation Requirements (Reg Z) Effective  
January 10, 2014**

KHC will require all lenders to establish and maintain written policies and procedures to monitor compliance with all new and existing federal and state rules as applicable to their loan originator employees. These policies and procedures must include qualifications, training and disclosure of Loan Originator's information on loan documents.

**Loan document requirements:**

- Loan documents include: the initial credit application (1003), promissory note and mortgage. Loan documents must now include the following information:
  1. Loan Originator Organization (LOO) company name and National Mortgage Licensing System and Registry (NMLSR) ID, if the NMLSR has provided it an NMLSR ID; and

2. Name and NMLSR ID (if any) of the individual Loan Originator (LO) who, under the LOO's policy, is primarily responsible for the

transaction (as defined by Dodd-Frank Act Truth-in-Lending Act requirements)

- The names of the LOO and LO registered on NMLS must appear on loan documents as they appear on NMLS.
- The LOO and LO ID and name must be on loan documents when they are delivered to the consumer to be signed and cannot be added post-closing.
- This information should print after the borrower's signature lines and the notary acknowledgement (if applicable).
- These requirements do not replace the requirements under the SAFE ACT.

KHC will continue to provide the Second Mortgage Promissory Note and Mortgage. They will include the required information onto the documents as identified by CFPB. Lenders must complete the initial reservation with this information. Lenders must use the name as it appears in the National Mortgage Licensing Registry. The documents will be downloaded from KHC's website prior to closing. KHC will have the modified documents ready by Friday, January 10<sup>th</sup>.

**4. ECOA appraisals for loans secured by a first lien on a dwelling (Regulation B) Effective January 18, 2014**

KHC will require all lenders to provide to the consumer a written disclosure, within 3 days of application, of their right to receive a copy of any appraisal or other written valuations; and one free copy of all appraisals and other written valuations developed in connection with an application for a loan to be secured by a first lien on a dwelling. (Copies of appraisals must be provided promptly upon completion or 3 business days prior to consummation whichever is earlier. Applicants may waive this timing requirement.)

KHC will send a copy of the appraisal by mail or electronically directly to the consumers using our Third Party Originators channel within a week of completion and review by the underwriting department.

**5. TILA Appraisals for Higher-Priced Mortgage Loans ( Regulations Z) Effective January 18, 2014**

KHC requires a Full Interior Appraisal by a licensed appraiser on all loans regardless of whether the loan is a higher-priced mortgage loan or not. KHC will require all KHC-approved lenders to provide a copy of the appraisal at least 3 days prior to closing regardless of whether the loan is a higher-priced

mortgage loan or not.