

September 30, 2016

# Closing and Quality Review - Secondary Market Programs

# **KHC Program Guide Secondary Market Closing and Quality Review**

**September 30, 2016  
Changes/Additions**

## **Origination/Discount Points and Fees**

Kentucky Housing Corporation (KHC) does not allow any lender to charge Origination Point/Fee or Discount Point/Fee. All KHC interest rates are zero-point. Fees such as Processing Fee, Admin Fee, Application Fee or Underwriting Fee are acceptable.

## **RHS Guarantee Upfront and Annual Fee Changes**

On October 1, 2016, both the upfront guarantee fee and annual fee for purchase and refinance loans will decrease. The upfront guarantee fee will be reduced from 2.75% to 1%, and the annual fee from .5% to .35%.

# Loan Funding, Closing, Purchase, and Delivery Requirements

Once the lender has obtained loan approval from Kentucky Housing Corporation (KHC) and the insuring or guaranteeing agency (or KHC-approved delegated underwriter), the lender can close the loan.

**All Third Party Originators**, loans must be closed and funded using KHC's funds by the expiration date on the reservation of funds letter. Closings will be scheduled through KHC's processing staff.

**All Delegated and Correspondent Lenders** will close all KHC first mortgage loans with their own funds. If loan has a DAP Mortgage, the lender MUST fund the DAP. The DAPs will close in Lender's name.

All conditions of loan approval must be met prior to or at closing. Proof that all conditions have been met must be provided in the closed loan package submitted to KHC.

All information on ALL closing documents should be consistent; property address and names on note, mortgages, MERS, title commitment, appraisal, flood and all insurance policies, etc.

## Mortgage Electronic Registration System-MERS

### • **Correspondent Lender must use MERS:**

- ✓ Lender will generate Mortgage Identification Number (MIN).
- ✓ Lender must ensure MIN is on the Note and "MERS as Original Mortgagee" (MOM) mortgage.
- ✓ Lender will enter their MIN on KHC funding screen.
- ✓ No assignment required.
- ✓ MIN should be registered in MERS within five business days of closing. Transfer of Servicing (TOS) must be transferred to 1005950 – Kentucky Housing Corporation, 48 hours after receipt of purchase funds.
- ✓ Do not transfer investor rights to FNMA or GNMA. Investor is Kentucky Housing Corporation.
- ✓ Please ensure county code is selected when registering on MERS.
- ✓ MERS Help Desk #1-888-680-6377 or [helpdesk@mersinc.org](mailto:helpdesk@mersinc.org)

### • **Third Party Originators:**

- ✓ KHC will generate MIN and provide the MIN on the approval, and it will also be listed on the funding screen.
- ✓ Lender **must** use KHC's MIN.
- ✓ Lender must ensure MIN is on the MOM mortgage.

## Closing Agents – TPO Lenders

- TPO Lenders will be required to use one of KHC's approved Closing Agents. See Closing Attorney Manual on KHC's website for specific details.

## Secondary Market Loan

Secondary Market Program first mortgages can be a Conventional, FHA, VA or RHS Purchase, FHA Credit Qualifying Streamline Refinance, FHA Rate/term Refinance, or Refinance or RHS Refinance Pilot Program.

## Loan Term Amortization

- Term is for 30 years for Secondary Market Program.
- Interest calculation is based on 365 days.

## Closing Costs

**Kentucky Housing Corporation (KHC) does NOT allow any lender to charge Origination Point/Fee or Discount Point/Fee. All KHC interest rates are zero-point. Fees such as Processing Fee, Admin Fee, Application Fee or Underwriting Fee are acceptable.**

**Delegated and Correspondent Lender:** Closing costs and other fees to be charged to borrower or seller must follow insuring agency guidelines. No limit on customary and reasonable fees.

**Underwriting Fee:** Correspondent can charge customary and reasonable fees to include the UW fee paid to the Correspondent Lender. Correspondent Lender (unless delegated) must charge a **\$495** UW Fee on Conventional and RHS loans paid to KHC. \$495 is netted out at time of purchase for Conventional & RHS closed loan.

- KHC will not allow or purchase high-cost mortgages under the revised HOEPA coverage test.

## Acceptable fees and charges to the buyer or seller include:

- Appraisal Charge – customary and reasonable.
- Document Preparation (Correspondent Only)
- Processing (Correspondent Only)
- Administrative Fee – \$105 paid to KHC on EVERY LOAN withheld from purchase or closing funds
- Title Exam and Insurance, Attorney Fee.
- Owners Title Insurance
- Home Inspection Fee – up to \$300
- Recording Fees
- MCC Fee (\$200 or \$500)
- Delegated Correspondent Lenders may charge a \$225 MCC Review Fee
- **Third Party Originators** must disclose the borrower a **\$495** UW fee and **\$105** Administrative Fee on all loans paid to KHC.

## Cash Out at Closing

Purchase Program limits cash paid to applicant at closing to not exceed applicant's earnest money/POCs. Any amount over should be applied as a principal reduction, first to the DAP loan (if applicable), otherwise, to the first mortgage. Disclose on first page of DAP Closing Disclosure, if applicable; otherwise on first mortgage Closing Disclosure. Secondary Market **Refinance Programs limited to \$500 cash back at closing.**

## Property Title

Property title is to be held by applicant in fee simple at time of loan closing.

## Refinances

- Three-business day Right of Rescission (includes Saturday).
- Loan-to-close and disburse within the reservation period.
- Cash-back amount not to exceed \$500.
- New escrows have to be established regardless of LTV.

# Loan Funding, Closing, Purchase, and Delivery Requirements

## Subordinate Financing

In addition to DAP, all other subordinate loans must be approved by KHC. For a KHC to KHC refinance with the DAP:

- Use subordination form found on KHC's website under Lender Resources
- Complete and return by fax to: 502-564-5430

## KHC Second Mortgage (DAP) Loans

### All KHC second mortgage programs:

- No future advance clauses are permitted in the first mortgage.
- Second mortgage and second note must be executed with closing of first mortgage.
- Second mortgage must be recorded immediately after first mortgage.

### Delegated and Correspondent Lenders

- **HHF DAP will utilize a GFE, TIL and a HUD-1 since it does not meet TRID requirements.**
  - MUST fund ALL DAPs
  - **HHF DAP will close in KHC's name**
- Regular and Affordable DAP closes in the Delegated/Correspondent Lender's name
  - The lender needs to identify KHC as the governmental entity in FHA Connection for all FHA Loans. Even though the Regular and Affordable DAP loans close in the lender's name the ultimate holder of these DAP loans is KHC who has the exemption.
- The DAP Note has an endorsement provided at the end that will need to be signed over to KHC.
- The Lender will also need to print and complete a mortgage assignment and record it immediately behind the DAP Mortgage.
- DAP mortgages will not be registered in the Mortgage Electronic Registration System (MERS).
- Lender will not need to provide the seller with a DAP Closing Disclosure.
- Do not record the first and second mortgages as one document.

Second mortgage loans **MUST CLOSE** using a separate Closing Disclosure. Net second mortgage amount should be on the first mortgage Closing Disclosure stating KHC Second Mortgage Loan.

- Principal reduction allowed for all KHC second mortgage programs. Place on first mortgage Closing Disclosure. Must read "Principal reduction for second mortgage." No minimum or maximum limit for a principal reduction to first or second mortgages.
- **If KHC's Regular and Affordable DAP loan is obtained, these additional guidelines apply:**
  - ✓ Second Mortgage Promissory Note with endorsement and Mortgage with an assignment will include the required information onto the documents as identified by CFPB.
  - ✓ Each second mortgage note must be printed off KHC's website under "Document Printing."
  - ✓ The Regular and Affordable DAP have a ten-year term with the first payment due on the first day of the month beginning with the same first payment date as first-mortgage loan.
  - ✓ No per diem interest to be collected at closing on DAP settlement statement. This eliminates the need to provide a check to KHC for a nominal amount of interest.

- ✓ The loan is due and payable upon sale, with some exceptions.

## Escrows for Incomplete Items

### General Requirements

1. Repairs that affect livability or safety must be completed and inspected prior to loan closing. NO EXCEPTIONS.

The lender's DE underwriter will make the determination if escrows should be allowed. Expiration dates are as follows:

- November-April: Due by May 31
- May-October: Due 30 days after closing

TPO Lenders will need to contact Linda Flynn at 502-564-7630 ext. 428, for escrowing of incomplete items.

KHC will hold funds for TPO Lenders, but Correspondent Lenders will be responsible for holding escrow funds.

If HUD REO, the repair escrow should be listed in the purchase contract. Otherwise, KHC will need a contract addendum identifying who will be responsible for the cost of the repairs.

## Hazard Insurance

Policy term must be for at least one year. Amount of coverage must be at least equal to the loan amount. Insurance must be in effect on date of loan closing. Lender must not close loan with a binder unless one-year term, policy number, and coverage are equal to loan amount. The following are acceptable:

- Declaration Page
- Certificate or Evidence of Insurance
- Full Policy
- Condominium – Master policy listing individual unit. If master policy does not include interior coverage (see Appendix X), need additional insurance in amount equal to one-half of the mortgage not including coverage for personal property.
- If a condominium is a free-standing unit, the lender must obtain **complete coverage** for at least the amount of the first mortgage loan.
- Maximum deductible equal to 5 percent of policy face amount, not to exceed \$5,000.
- For Conventional loans, the Insurance Company must have a Best's Key Rating Guide financial size category of Class III or better.
- **Mortgagee clause** must be endorsed to Kentucky Housing Corporation, ISAOA, P.O. Box 4150, Frankfort, KY, 40604-4150.
- **Manufactured Housing Hazard Insurance Coverage**  
KHC requires at least the loan amount for hazard insurance coverage. KHC will consider site value. KHC will accept less if replacement cost coverage is included. KHC highly encourages the borrower to shop for Hazard Insurance at time of application due to cost of premium and coverage amount issues.

## Flood Insurance

- If any portion of the dwelling and detached structures is located in area determined to be in a special flood hazard area, lender must obtain flood insurance. An application for flood insurance is acceptable at closing. Amount of coverage must be at least equal to the loan amount.

# Loan Funding, Closing, Purchase, and Delivery Requirements

**Maximum deductible equal to 5 percent of policy face amount, not to exceed \$5,000.**

- **Notice to Borrower Form** – Not in special flood hazard area—this form must be signed by the borrower if it is accompanied with the flood certification.

## 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, unless exempt; 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 or near the notary acknowledgement (if applicable).
  - These requirements do not replace the requirements under the SAFE ACT.

## KHC's Electronic Signature Policy

Effective with the new TRID regulation on Saturday, October 3, 2015, KHC's Reservation System will track whether a loan is e-signed or not. So, KHC will begin accepting Electronic Signatures on all documents with the exception of Final Security Documents, from lenders who currently have an electronic delivery and signature system.

KHC will require an audit log or history certificate to document eSign requirements have been met. See KHC's Electronic Signature Policy on KHC's website: [www.kyhousing.org](http://www.kyhousing.org), Lenders Page.

## Errors

Any errors on closing documents should be stricken through and correct information specified and initialed by mortgagor(s). White-out is not acceptable standards.

All recorded documents must be corrected by contacting the applicable County Clerk for instructions on the proper method of acceptable correction.

## Same Name Affidavit

All name variances of borrower(s) names(s) throughout the file, including closed loan file, must be listed on the same name affidavit. Submissions of same name affidavits should include anyone who signs note, mortgage and deed.

## Mortgage Note--ORIGINAL

For FHA and VA loans, the mortgage note must be prepared on the FHA- or VA-approved form. For RHS and conventional loans, the note must be prepared on the Kentucky Fixed Rate

Single-Family Fannie Mae Form (Form 3218) or the multi-state fixed rate note Fannie Mae (3200). Lender must use the most current forms. MERS MIN number must be on top of the first page of the mortgage.

- **Endorsement to Note:** MUST read as follows at the foot of the note:

*Pay to the order of Kentucky Housing Corporation, without recourse.*

*By : \_\_\_\_\_(signature line)*

*Name of Signer : \_\_\_\_\_(printed)*

*It's : \_\_\_\_\_(title)*

*\_\_\_\_\_ (name of lender  
exactly as shown on page 1 of the note and mortgage)*

*Any note endorsement corrections must be delivered within 5 days of request. Use the following allonge example.*

If an allonge is used, it must read as follows and all information, including name of lender, must match note and mortgage exactly:

### **ALLONGE TO THE NOTE**

*Name of Borrower(s):*

*Address:*

*City:*

*Dollar Amount:*

*Date of Closing:*

*Pay to the order of Kentucky Housing Corporation, without recourse.*

*By : \_\_\_\_\_(signature line)*

*Name of Signer : \_\_\_\_\_(printed)*

*It's : \_\_\_\_\_(title)*

*\_\_\_\_\_ (name of lender  
exactly as shown on page 1 of the note and mortgage)*

## Mortgage

- MUST be the ORIGINAL
- Notary section must be complete with county information. Do not pre-date.
- Attach any applicable riders (i.e. Riders: VA Rider, PUD rider)
- Non-purchasing spouse (NPS) must sign the mortgage and deed.
- Non-purchasing spouse's name needs to be listed on first page of the mortgage and signature page.
  - Non-Borrowing Occupant (NBO) does not sign the mortgage unless otherwise stated by underwriting.
- Correcting a recorded mortgage: Contact the recording county clerk to determine best method to correct mortgage.
- KHC mortgages have a clause that prohibits the transfer of any interest in the property without written consent from KHC.
- KRS Statute 382.297 outlines the use of an Affidavit of Mortgage Amendment (AOMA).
  - If rerecording mortgage, reason for correction must be shown on the document.
  - If new mortgage document is required, the original mortgage recording information and reason for correction must be shown on the document.

**382.297 Amendment of recorded mortgage by Affidavit of Amendment.**

# Loan Funding, Closing, Purchase, and Delivery Requirements

A recorded mortgage may be amended by an Affidavit of Amendment prepared by an attorney to correct clerical errors or omitted information. An amendment may not change any term, dollar amount, or interest rate in the mortgage, unless signed by the mortgagor and secured party. The attorney preparing the affidavit shall certify in the affidavit that notice of filing the amendment has been given to the mortgagor by mailing a copy of the amendment to the mortgagor at the address shown on the original mortgage. A subsequent release of the mortgage releases any amendments to the original mortgage.

(Effective: July 1, 2006. History: Created 2006 Ky. Acts ch. 183, sec. 19, effective July 12, 2006.)

## Title Policy Requirements

- A short form title policy is required on all loans. See KHC's website for a list of exceptions on title policies that must be removed.
- Private transfer fees not allowed.
- All information, including lender name, must match exactly on the title policy, note, and mortgage.
- **Name of Insured:** There is only one option:
  - ✓ Naming as the insured, "(originating Lender) and Mortgage Electronic Registration Systems, INC. solely as nominee for the Lender, its successors and assigns, as their interests may appear."
- **Date of Policy**
  - ✓ Date of recording **OR** Date of closing plus verbiage "or date of recording of insured mortgage, whichever is later."
- **Mortgage Recording:** If mortgage recording information is shown on the title policy, then all recordings of the mortgage must be listed.
- **Title Commitment must be dated within 30 days prior to the note date.**
- **ALTA Endorsements: ORIGINALS Only**
- All Title Policies must have 8.1-06 Endorsement as well as any of the applicable choices below:
  - ✓ 7-06 or 7.1-06 Endorsement for all manufactured homes
  - ✓ 4-06 or 4.1-06 Endorsement for all condos
  - ✓ 5-06 Endorsement for all PUDs
- Include the schedule B and page 2 and any endorsements with the final policy
- All policy jackets should be included with final title policy.
- All pages of final title policy must include executed signatures, where applicable.
- Owner policies and title opinions are not acceptable
- Include ALL PAGES of final title policy and ALL schedules

## Survey

- KHC requires either a survey or KHC's Survey Certification fully executed.
- KHC does not require survey to be provided if closing agent is able to obtain title insurance with affirmative coverage against loss or damage that would have been disclosed by an accurate survey.
- Borrower and title policy provider must sign KHC's Survey Certification. KHC does not accept survey waivers.

## Manufactured Homes

Manufactured Homes Affidavit of Conversion to Real Estate per KRS186A.297-Filing of affidavit of conversion to real estate when manufactured home is permanently affixed to land-

surrender of certificate of title. (KHC requires statute to be followed)

### **Must deliver in Closed Loan Package either:**

1. A copy of the recorded affidavit and the surrendered title to the manufactured home.
2. A copy of executed affidavit and title (to be surrendered) sent to the County Clerk for recording.
3. If a new manufactured home, copy of the original certificate of origin from the manufacturer that is going to be delivered to the County Clerk so that title can be ordered. After title is received, affidavit is prepared for recording and title is surrendered.

Within 90 days or less from closing date, need original of newly recorded affidavit and copy of surrendered title. Failure to receive within timeframe could result in repurchase. *Affixations are not acceptable. Do not record affixations with the mortgage.*

### **186A.297 Filing of Affidavit of Conversion to real estate when manufactured home is permanently affixed to land – Surrender of Certificate of Title.**

1. When a manufactured home is or is to be permanently affixed to real estate, the owner may execute and file an affidavit of conversion to real estate with the county clerk of the county in which the real estate is located. The affidavit shall attest to the fact the home has been or will be permanently affixed to the real estate and be accompanied by a surrender of the Kentucky certificate of title. The county clerk shall file the affidavit of conversion to real estate in the miscellaneous record book.
2. A county clerk shall not accept a surrender of a Kentucky certificate of title which displays an unreleased lien unless it is accompanied by a release of the lien. When the county clerk files the affidavit of conversion to real estate, the county clerk shall furnish a copy to the property valuation administrator for inclusion in the real property tax rolls of the county. A filing of an affidavit of conversion to real estate and a surrender of a Kentucky certificate of title shall be deemed a conversion of the property as an improvement the real estate upon which it is located.  
Effective: July 14, 2000  
History: Created 2000 Ky. Acts ch. 166, sec. 1, effective July 14, 2000

## Closing Disclosure

- All loans require Closing Disclosure identifying parties and monies involved in transaction. Interest credits are not permitted.
- Lender credits are allowed on KHC loans.
- Principal reduction allowed for KHC first and second mortgages. No minimum or maximum limit.
- Private transfer fees not allowed.
- Proration of taxes allowed when Seller agrees to pay all of borrower's closing costs. Lenders should close loan based on contract and insuring agency guidelines.
- Closing Disclosure for KHC Second Mortgage must be in lender's name with the exception of the HHF DAP. **The HHF DAP will close in KHC's name.** No seller is listed. KHC

# Loan Funding, Closing, Purchase, and Delivery Requirements

INFO for Closing Disclosure: Kentucky Housing Corporation; 1231 Louisville Road, Frankfort, KY 40601

## Appraisal Fees (TPO Lenders)

KHC has established the following fees for all appraisal requests when ordering the appraisal for FHA, RHS and Conventional loans.

- **FHA & RHS Appraisal Fee:** \$450
- **Conventional Appraisal Fee:** \$410
- **Final Inspection (if required):** \$130

Originating lenders may collect the appraisal fee from the borrower if in compliance with MDIA. Originating lenders will be responsible for payment on all appraisal requests. KHC will directly send a copy of the appraisal by mail or electronically to the consumers within a week of completion and review by the KHC underwriting department.

## Power of Attorney (POA)

- BUYER/SELLER – KHC no longer approves POA's prior to closing. This will be the responsibility of the lender and closing agent. KHC will require verification that the POA has authority to convey, transfer, or dispose of real property at post closing review.
- Copy of POA is required on all Conventional Loans.

## Miscellaneous Closing Issues

- Estate Sales – Need copy of court appointment showing who is authorized to sell the property.
- With the Conventional 97 No MI program, if the property is a KHC REO property, none of KHC's DAPs can be used.
- HUD/VA/Fannie Mae or bank repos – Sellers will not sign seller certification, revision agreement, or termite reports.

## Wiring Information: Returning Funds

Contact Closing and Quality Review Department to obtain wiring information toll-free in Kentucky at 800-633-8896 or 502-564-7630, extension 230; TTY 711; or email: [khcpc@kyhousing.org](mailto:khcpc@kyhousing.org)

## Escrows for Taxes

KHC follows KRS 134.020 regarding tax payment. Statute states if taxpayer pays taxes by November 1, they are entitled to a 2 percent discount; therefore, in order to meet this requirement, KHC will pay taxes in October of every year.

- Closings from September to December: If tax bills HAVE NOT come out lenders will collect taxes and HOLD FUNDS. Lenders are responsible for paying taxes. Title Policy to show taxes have been paid.
- New Construction and Existing Property: Closing Disclosure can show current tax on property (i.e., value on land or assessed value or homestead), but taxes collected for escrow should be based on sales price amount. KHC temporary coupon to show tax payment based on sales price.

## Termite Report

- KHC will follow the insuring agency guidelines. FHA, Conventional and RHS loans do not require termite reports

on existing property except when required by the sales contract or appraisal.

- VA does require a termite report signed by both parties but does not allow borrower to pay for the termite report.
- If the termite report has been done, KHC requires a copy of the report.
- If the termite report shows damage to main support beams of foundation, a structural damage review must be provided by a structural engineer or FHA fee inspector.
  - Any damage to main beams, etc., and/or water in crawl or basement must be addressed.
  - All infestation must be treated. (KHC does not accept partial treatment.) Proof of treatment must be provided.
- If inspection waived, Termite Inspection Waiver must be signed.

## New Construction Soil Poisoning Report

Applies to FHA, VA and RHS New Construction Purchase

- **NPMA-99A** – Subterranean Termite Treatment Builder's Certificate and Guarantee completed and signed by builder. Treatment type needs to be noted whether bait system, wood, or soil.
- **NPMA-99B** – Construction Subterranean Termite Soil Treatment Report completed by the licensed pest control company only if soil was treated.

## Closed Loan Delivery for Third Party

### Originators

- **Ten-Calendar Day Package** – All loans must be received by KHC **on or before the tenth calendar day** following loan closing. All required documents are identified on the closed loan checklist. For RHS loans, the package must include the RHS Conditional Commitment.
- **90-Calendar Day Package** – The lender is required to deliver the **ORIGINAL** recorded mortgage, **ORIGINAL** title policy, and insuring certificate (FHA, VA, and RHS) to KHC on or before 90 days from closing date.
- **MUST PROVIDE ORIGINAL NOTE TO KHC.**

## Correspondent Lender Closed Loan Purchase and Servicing

Correspondent Lenders will close all first mortgage loans with their own funds and close in the Correspondent's name. The DAP Mortgages **MUST** be funded by the Correspondent or Delegated Lender. The DAP will continue to close in KHC's name. KHC will then purchase the closed first mortgage loan after receipt of original note and closed loan package.

- KHC will be the servicer of all first and second mortgage (DAP) loans.
- Loan must close by the expiration date indicated on the written Reservation of Funds Form.
- Contact Homeownership Hotline at 502-564-7630 extension 291 for changes or extension to reservation.

**Notice:** KHC will **NOT** purchase a Conventional High Priced Mortgage Loan.

### Workflow:

1. **Delegated or Correspondent Lenders** will notify KHC of loan closing by going through the "Schedule Closing" process in KHC's Loan Reservation System.

## Loan Funding, Closing, Purchase, and Delivery Requirements

2. Lenders must first enter a warehouse or bank wiring instructions, as well as attorney name and address, if not already entered before going through "Schedule Closing" process.
3. For RHS loans, under case number, enter in system, state and county code, and borrower's ID number. Note and mortgage will have state and county code and ID number from conditional commitment.
4. Correspondent Lenders will print KHC closing forms, (which include the KHC Closed Loan Checklist). These documents are customized to the loan type. The Lender will be required to enter the closing date, case number, MERS MIN number and the wiring information under Schedule Closing Tab.
5. Correspondent Lenders will give borrowers, at closing, KHC's Temporary Payment Coupons to make the first payment to KHC.
6. Within ten calendar days, closed loan package should be uploaded electronically and original note is to be delivered to KHC. Loan is purchased upon receipt of uploaded closed loan package and receipt of original note. If there is a principal reduction to the DAP loan, the amount will be netted from purchase wire.
7. Post Closing will review the Closing Disclosure to verify the purchase request amount entered matches the Closing Disclosure for first mortgage..
8. Post Closing will process the wire to the lender if approved for purchase.
  - o Post Closing turnaround time: Three business days.
  - o The amount wired to the lender will be net of first mortgage loan amount, lender compensation, interest and escrow, interest owed to lender (per diem), and if applicable, principal reduction and extension fees.
  - o **KHC will only pay up to 10 days of per diem interest and will NOT purchase a loan 20 days after the closing date.**
  - o An email notice will be sent to the Post Closing Contact. At that time, the Post Closing Contact will be able to print a copy of the Purchase Transmittal from KHC's website.
  - o For refinances, interest may be charged from date of disbursement.
  - o Late delivery of Note and 10 day doc package is subject to late fees. See penalty section for more information.

### Closed Loan Delivery Schedule for Correspondent Lenders

- **Ten Calendar Day Package** – All loans must be received by KHC **on or before the tenth calendar day** following loan closing. All required documents are identified on the closed loan checklist. Failure to provide closed loan file to KHC within ten calendar days may result in a penalty being issued to the lender. **MUST PROVIDE ORIGINAL NOTE TO KHC.**
- **90-Calendar Day Package** – The lender is required to deliver the ORIGINAL recorded mortgage, ORIGINAL title policy, and insuring certificate (FHA) to KHC within 90 days or less from closing date. Failure to provide ninety day documents to KHC within specified timeframes may result in a penalty being issued to the lender.
- **Security Documents must be mailed to KHC, Single Family Closing & Quality Review Team, 1231 Louisville Road, Frankfort, KY 40601.**

### MCC Closing (reservation period 120 days)

- MCC Documents to be signed at Closing:

- o MCC002 – Sellers Certificate (signed by Seller)
- o MCC007 – Closing Certificate (signed by Borrower)
- o MCC008 – Notice to Mortgagor of Maximum Recapture Tax (signed by Borrower)

Approved MCC lenders that are delegated underwriters can approve the MCC without submitting the MCC package to KHC for a compliance underwrite.

### MCC Fees Collected at Closing

- o \$500 Closing Fee to KHC (charged to Borrower) \$200 closing fee if First Mortgage is through KHC's Secondary Market Program.
- o Delegated Correspondent Lenders may charge a \$225 MCC Review Fee
- o MCC cannot close with MRB First Mortgage Program.

### MCC Delivery

- If KHC is the first mortgage holder and there's an MCC, upload both the first, any second and MCC to Underwriting File (for Correspondent and TPO Lenders). Once the MCC closes with KHC's first mortgage then upload to the Closed Loan File.
- For a stand-alone MCC (first mortgage through another investor) upload to Underwriting File (Correspondent and TPO Lenders). Once this closes then then upload the MCC Non-KHC 1<sup>st</sup> Closed Loan file (this is for all lenders)
- Checks should be mailed to KHC, attention Single Family, Closing & Quality Review Team, 1231, Louisville Road, Frankfort, Kentucky 40601.

## Loan Funding, Closing, Purchase, and Delivery Requirements

### Secondary Market Program, Closed Loan, Purchase and Delivery Schedule Correspondent Lender and TPO Lenders Calendar Days

#### Closed Loan Packages

<b>Day 10 or less</b> – Complete closed loan package and Original Note is received by KHC. <small>(1.) Manufactured Home</small>	No Penalty
<b>Day 11 – 15</b> – Closed Loan Package delivered late or incomplete.	Subject to .25% Penalty
<b>Day 16 – 20</b> – Closed Loan Package still not received by KHC or still incomplete.	Possible Repurchase

#### Original Note and Allonge/Endorsement

<b>Day 10 or less</b> – Original Note and Allonge/Endorsement received by KHC.	No Penalty
<b>Day 13 - 15</b> – Note/Allonge/Endorsement correction not received by KHC.	Subject to .25% Penalty
<b>Day 15 – 20</b> – Note/Allonge/Endorsement correction still not received by KHC.	Possible Repurchase

#### MERS

<b>Transfer within 48 hours of purchase.</b> Transfer of Servicing (TOS) Rights to Kentucky Housing Corporation in MERS system.	No Penalty
<b>Transferred 5 days after purchase date.</b>	Subject to .25% Penalty

## Loan Funding, Closing, Purchase, and Delivery Requirements

### Post Closing & Legal Review of Documents

<p><b>90 Days or less –</b>                  Received correct and approved Outstanding Post Closing documents.                  Received correct and approved Outstanding Legal Documents.                  (2.) Manufactured Home</p>	<p>No Penalty</p>
<p><b>91 Days – 120 Days –</b>                  Received correct and approved Outstanding Post Closing documents.                  Received correct and approved Outstanding Legal Documents.                  (3.) Manufactured Home</p>	<p>Subject to .25% Penalty</p>
<p><b>121 Days or more –</b>                  Received correct and approved Outstanding Post Closing documents.                  Received correct and approved Outstanding Legal Documents.</p>	<p>.50% Total Penalty                  Possible Repurchase                  More time allowed on a case-by-case basis.</p>

Reservations/Purchases may be affected if penalties are not received and paid in full by due date.

**Manufactured Home**

- (1.) Provide copy of executed Affidavit of Conversion to Real Estate (AOCTRE) to be recorded or copy of recorded AOCTRE already in place. Per KRS 186A.297, AOCTRE must include verbiage that states "...certificate of title has been surrendered..." or a copy of surrendered title must be submitted with AOCTRE.
- (2.) Provide original or clerk certified copy of AOCTRE and copy of surrendered title, if applicable.
- (3.) After 91 days from closing – if AOCTRE is NOT recorded because of title issues, loan is subject to repurchase.