KHC’S HOMEBUYER TAX CREDIT

Life of Loan Tax Credit
Home Buyer Tax Credit
KHC’s Homebuyer Tax Credit
How Much is It?

- A Federal Tax Credit of 25% mortgage interest paid in a calendar year.
- A dollar-for-dollar reduction of federal tax liability annually.
  - Up to $2000 per year.

**Life of the Loan Benefit!**

- $200 fee if through KHC’s Secondary Market.
  - DAP, Seller or Borrower can pay this fee.
- $500 fee for other investor’s 30-year fixed mortgage.
Borrower Eligibility

- **Borrower(s) must meet Tax Credit guidelines:**
  - First-time homebuyer in non-targeted counties.
  - All homebuyers in targeted counties.
  - Maximum purchase price of **$294,600**
  - Must be borrower’s primary residence.
  - Homebuyer Tax Credit Gross Annual *Household* income limit.
    - Based on county and household size.
The KHC Homebuyer Tax Credit may be accessed by first-time home buyers and previous homeowners purchasing homes in targeted counties. For all other counties, borrowers must be first-time buyers (not having an ownership interest in the past three years).
### KENTUCKY HOUSING CORPORATION HOME BUYER TAX CREDIT

#### 2020 GROSS ANNUAL HOUSEHOLD INCOME LIMITS

Effective July 1, 2020

The income limitations listed below are imposed by federal law. Failure to comply with them may create adverse consequences for Kentucky Housing Corporation and its shareholders.

#### Funding Sources: Home Buyer Tax Credit (Purchase Price Limit – $244,000)

<table>
<thead>
<tr>
<th>Person(s) per household</th>
<th>(1 or 2)</th>
<th>(3 or more)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anderson</td>
<td>05,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Ballard</td>
<td>06,400</td>
<td>11,000</td>
</tr>
<tr>
<td>Barren</td>
<td>05,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Boone</td>
<td>06,400</td>
<td>11,000</td>
</tr>
<tr>
<td>Bourbon</td>
<td>06,400</td>
<td>11,000</td>
</tr>
<tr>
<td>Boyd</td>
<td>06,400</td>
<td>11,000</td>
</tr>
<tr>
<td>Bracken</td>
<td>102,000</td>
<td>120,200</td>
</tr>
<tr>
<td>Butler</td>
<td>77,000</td>
<td>90,125</td>
</tr>
<tr>
<td>Caldwell</td>
<td>06,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Calhoun</td>
<td>06,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Campbell</td>
<td>06,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Christian</td>
<td>05,700</td>
<td>09,150</td>
</tr>
<tr>
<td>Clark</td>
<td>05,700</td>
<td>09,150</td>
</tr>
<tr>
<td>Darrell</td>
<td>05,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Fayette</td>
<td>05,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Franklin</td>
<td>02,000</td>
<td>04,125</td>
</tr>
<tr>
<td>Gallatin</td>
<td>103,000</td>
<td>120,200</td>
</tr>
<tr>
<td>Graves</td>
<td>05,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Greenup</td>
<td>05,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Hardin</td>
<td>05,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Harlan</td>
<td>05,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Henderson</td>
<td>05,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Henry</td>
<td>03,000</td>
<td>06,125</td>
</tr>
<tr>
<td>Jefferson</td>
<td>05,400</td>
<td>09,150</td>
</tr>
<tr>
<td>Jessamine</td>
<td>05,400</td>
<td>09,150</td>
</tr>
</tbody>
</table>

For all other counties not listed above: $184,000 (1 or 2 person) $31,500 (3 or more person)
First Mortgage Options

- **First Mortgage Options:**
  - All KHC Secondary Market First Mortgage Programs.
  - Other Investor First Mortgage Programs:
    - FHA, VA, RHS, Fannie & Freddie Conventional Programs.

- All loan types must be **30 year fixed rate.**
Anticipated credit may be used to help qualify the borrower.

Loan Amount = $150,000.

30-year fixed interest rate = 5.25%.

Mortgage interest paid in first year
$150,000 × 5.25% = $7,875.

Tax Credit Amount
$7,875 × 25% = $1,969 ($5,906 tax deduction)

Monthly Amount to help qualify
$1,969 / 12 months = $164.09.
## DTI Comparison

<table>
<thead>
<tr>
<th></th>
<th>Without MCC</th>
<th>With MCC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td>5.25%</td>
<td>5.25%</td>
</tr>
<tr>
<td>Loan Amount</td>
<td>$150,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>PITI</td>
<td>$1053.31</td>
<td>$1053.31</td>
</tr>
<tr>
<td>Other Debt</td>
<td>$925.00</td>
<td>$925.00</td>
</tr>
<tr>
<td>Total Debt</td>
<td>$1978.31</td>
<td>$1978.31</td>
</tr>
<tr>
<td>Monthly Income</td>
<td>$3800</td>
<td>$3800</td>
</tr>
<tr>
<td>Anticipated Monthly Income from MCC</td>
<td>$0</td>
<td>$164.09</td>
</tr>
<tr>
<td>Total Monthly Income</td>
<td>$3800</td>
<td>$3964.09</td>
</tr>
<tr>
<td>DTI</td>
<td>27.72% - 52.06%</td>
<td>26.57% - 49.91%</td>
</tr>
</tbody>
</table>
Example—Without Tax Credit
**Schedule A 1040**

**$7,875 Tax Deduction**

---

**Itemized Deductions**

<table>
<thead>
<tr>
<th>Medical and Dental Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter amount from Form 1040 or 1040-SR, line 8b</td>
<td></td>
</tr>
<tr>
<td>2. Multiply line 2 by 7.65% (0.0765)</td>
<td></td>
</tr>
<tr>
<td>3. Subtract line 3 from line 1. If line 3 is more than line 1, enter -</td>
<td></td>
</tr>
</tbody>
</table>

**Taxes You Paid**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State and local taxes</td>
<td>1250</td>
</tr>
<tr>
<td>State and local real estate taxes</td>
<td>1800</td>
</tr>
<tr>
<td>State and local personal property taxes</td>
<td>250</td>
</tr>
<tr>
<td>Add line 5a through 5e</td>
<td>3300</td>
</tr>
<tr>
<td>Enter the smaller of line 5d or $10,000 ($5,000 if married filing separately)</td>
<td>3300</td>
</tr>
<tr>
<td>Other taxes, List type and amount</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest You Paid</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home mortgage interest and points</td>
<td>7875</td>
</tr>
<tr>
<td>Points not reported on Form 1098</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gifts to Charity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts by cash or check</td>
<td>200</td>
</tr>
<tr>
<td>Other than by cash or check</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Casualty and Theft Losses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Causality and theft losses from a federally declared disaster</td>
<td>300</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Itemized Deductions</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other — from list in instructions, List type and amount</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Itemized Deductions</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 10</td>
<td>11275</td>
</tr>
</tbody>
</table>
Form 1040
Department of the Treasury—Internal Revenue Service
(99) U.S. Individual Income Tax Return
2019
OMB No. 1545-0074
IRB Use Only—Do not write or staple in this space.

Filing Status
Check only one box.

- Single
- Married filing jointly
- Married filing separately (MFS)
- Head of household (HOH)
- Qualifying widow(er) (OW)

If you checked the MFS box, enter the name of spouse. If you checked the HOH or OW box, enter the child’s name if the qualifying person is a child but not your dependent.

Your first name and middle initial Last name Your social security number
Kentucky Homebuyer
If joint return, spouse’s first name and middle initial Last name Spouse’s social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name Foreign province/state/county Foreign postal code

If more than four dependents, see instructions and check here ▶

Standard Deduction
Someone can claim: □ You as a dependent □ Your spouse as a dependent
□ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness
Your: □ Were born before January 2, 1965 □ Are blind
Spouse: □ Was born before January 2, 1965 □ Is blind

Dependents (see instructions):

| (1) First name | (2) Social security number | (3) Relationship to you | (4) if qualifies for (see instructions):
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Child tax credit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Credit for other dependents</td>
</tr>
</tbody>
</table>

1. Wages, salaries, tips, etc. Attach Form(s) W-2
2a. Tax-exempt interest
3a. Qualified dividends
4a. IRA distributions
6. Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶
7a. Other income from Schedule 1, line 9
8a. Adjustments to income from Schedule 1, line 22
9. Standard deduction or itemized deductions (from Schedule A) □
10. Qualified business income deduction. Attach Form 8995 or Form 8995-A
11a. Add lines 9 and 10
11b. Taxable income. Subtract line 11a from line 8b. If zero or less, enter 0-

65500

12200

53300

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.
Tax refund of $446
Example- With Tax Credit
Claiming the Tax Credit

- Borrowers claim the credit with their annual Federal Tax Return by using **Form 8396**.

- Borrower to receive a larger tax refund annually.
  - The borrower may also revise their W-4 withholding form with their employer to reflect the anticipated credit, thus increasing their monthly take home pay.

- **Lender should encourage the borrower to consult a tax advisor.**
Form 8396 Completed every year for Tax Credit

### Part I Current Year Mortgage Interest Credit

1. Interest paid on the certified indebtedness amount. If someone else (other than your spouse if filing jointly) also held an interest in the home, enter only your share of the interest paid.
   - Amount: 7875

2. Enter the certificate credit rate shown on your Mortgage Credit Certificate. Do not enter the interest rate on your mortgage.
   - Rate: 25%

3. If line 2 is 20% or less, multiply line 1 by line 2. If line 2 is more than 20%, or you refinanced your mortgage and received a reissued certificate, see the instructions for the amount to enter.
   - Amount: 1965

You must reduce your deduction for home mortgage interest on Schedule A (Form 1040 or 1040-SR) by the amount on line 3.

4. Enter any 2016 credit carryforward from line 16 of your 2018 Form 8396

5. Enter any 2017 credit carryforward from line 14 of your 2018 Form 8396

6. Enter any 2018 credit carryforward from line 17 of your 2018 Form 8396

7. Add lines 3 through 6
   - Subtotal: 1969

8. Limitation based on tax liability. Enter the amount from the Credit Limit Worksheet. See instructions.

9. Current year mortgage interest credit. Enter the smaller of line 7 or line 8. Also include this amount in the total on Schedule 3 (Form 1040 or 1040-SR, line 6, or Form 1040-NR, line 51). Check box on that line and enter “8396” in the space next to that box.
   - Amount: 1969

### Part II Mortgage Interest Credit Carryforward to 2020 (Complete only if line 9 is less than line 7)

10. Add lines 3 and 4

11. Enter the amount from line 7.

12. Enter the larger of line 9 or line 10.

13. Subtract line 12 from line 11.

14. 2018 credit carryforward to 2020. Enter the smaller of line 6 or line 13.

15. Subtract line 14 from line 13.

16. 2017 credit carryforward to 2020. Enter the smaller of line 5 or line 15.

17. 2019 credit carryforward to 2020. Subtract line 9 from line 3. If zero or less, enter -0-

For Paperwork Reduction Act Notice, see your tax return instructions.
Form 1040
Department of the Treasury—Internal Revenue Service
2019

U.S. Individual Income Tax Return

Filing Status
Check only one box.

- Single
- Married filing jointly
- Married filing separately (MFS)
- Head of household (HCH)
- Qualifying widow(er) (QW)
If you checked the MFS box, enter the name of spouse. If you checked the HCH or QW box, enter the child’s name if the qualifying person is a child but not your dependant.

Your first name and middle initial

- Last name

Kentucky

Homebuyer

If joint return, spouse’s first name and middle initial

- Last name

Spouse’s social security number

Home address [number and street]. If you have a P.O. box, see Instructions.

- Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

- Foreign country name
- Foreign province/state/county
- Foreign postal code

If more than four dependents, see instructions and check here ▶

- You
- Spouse

Presidential Election Campaign
Check here if you, or your spouse if filing jointly, want $3 to go to this fund.

Checking a box below will not change your tax or refund.

- You
- You

Standard Deduction

Someone can claim:

- You as a dependent
- Your spouse as a dependent
- Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness

- You: Were born before January 2, 1956
- Are blind
- Spouse: Was born before January 2, 1956
- Is blind

Dependents [see instructions]:

(1) First name

- Last name

(2) Social security number

(3) Relationship to you

(4) If qualifies for (see instructions)

Child tax credit

Credit for other dependents

1

Wages, salaries, tips, etc. Attach Form(s) W-2

2a

Tax-exempt Interest

2b

Taxable Interest. Attach Sch. B if required

3a

Qualified dividends

3b

Ordinary dividends. Attach Sch. B if required

4a

IRA distributions

4b

Taxable amount

5a

Social security benefits

5b

Taxable amount

6

Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶

7a

Other income from Schedule 1, line 9

7b

Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your total income

8a

Adjustments to Income from Schedule 1, line 22

8b

Subtract line 6a from line 7b. This is your adjusted gross income

9

Standard deduction or itemized deductions (from Schedule A)

10

Qualified business income deduction. Attach Form 8995 or Form 8995-A

11a

Add lines 9 and 10

11b

Taxable income. Subtract line 11a from line 11b. If zero or less, enter -0-

12200

65500

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.
Tax refund of $2415

Claim the Tax Credit using FORM 8396 on Page 2 of the 1040
$5,906 Tax Deduction (75% of $7,875 annual mortgage interest)
Tax Reform 2018
Tax Reform

- KHC’s Homebuyer Tax Credit available!
  - Even if borrower is NOT itemizing.
- KHC’s Tax Credit -- best tool to incentivize homeownership.
- Doubling of the standard deduction
  - Middle income homeowners no longer have a tax advantage over renters by itemizing mortgage interest & property tax deductions.
Reserving a Tax Credit
Reserving Tax Credit — 2 Types

- Tax Credit with a KHC Secondary Market First Mortgage Program.

- **Stand-Alone** Tax Credit.
  - First Mortgage through another investor’s 30 year fixed mortgage.
When attaching a Tax Credit to a KHC First Mortgage you just click one extra box!

<table>
<thead>
<tr>
<th>KHC Reservation Number</th>
<th>189033</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Complete Fields and Select Products</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Loan Officer</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Loan Processor</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Required Fields</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Borrower/Co-Borrower Information</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Borrower Credit Score / Repository</strong></td>
<td>650 TransUnion</td>
</tr>
<tr>
<td><strong>Household Information</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Household Size</strong></td>
<td>4</td>
</tr>
<tr>
<td><strong>Annual Income</strong></td>
<td>$80,000.00</td>
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<tr>
<td><strong>HAP Payment Amount</strong></td>
<td>$0.00</td>
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<tr>
<td><strong>Appraised Value</strong></td>
<td>$85,000.00</td>
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<tr>
<td><strong>Case Type</strong></td>
<td>1111111111</td>
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<tr>
<td><strong>Case ID</strong></td>
<td>205(b)</td>
</tr>
</tbody>
</table>

**Are you attaching a KHC Tax Credit to this KHC First Mortgage?**
- [ ] Yes

**Will this loan have a KHC DAP?**
- [ ] No
- [ ] Yes
Reserving Tax Credit
Stand-Alone

- Upload 3.2 DU file.
- Rate Lock Tab.
  - MCC (Non-KHC 1st Mortgage).
Click on “Select Product”
### Compare Code

<table>
<thead>
<tr>
<th>Grade Description</th>
<th>Is Valid</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>30 Year</strong></td>
<td></td>
</tr>
<tr>
<td>2MK FHA30</td>
<td>GOVERNMENT SECONDARY MARKET FHA 30 YEAR FIXED RATE PURCHASE</td>
</tr>
<tr>
<td>2MK RHS30</td>
<td>GOVERNMENT SECONDARY MARKET RHS 30 YEAR FIXED RATE PURCHASE</td>
</tr>
<tr>
<td>2MK VA30</td>
<td>GOVERNMENT SECONDARY MARKET VA 30 YEAR FIXED RATE PURCHASE</td>
</tr>
<tr>
<td>2MK CONV30</td>
<td>CONVENTION SECONDARY MARKET CONV 30 YEAR FIXED RATE PURCHASE</td>
</tr>
<tr>
<td>MRB FHA30</td>
<td>GOVERNMENT MRB FHA 30 YEAR FIXED RATE PURCHASE</td>
</tr>
<tr>
<td>MRB RHS30</td>
<td>GOVERNMENT MRB RHS 30 YEAR FIXED RATE PURCHASE</td>
</tr>
<tr>
<td>MRB VA30</td>
<td>GOVERNMENT MRB VA 30 YEAR FIXED RATE PURCHASE</td>
</tr>
<tr>
<td>MRB CONV30</td>
<td>CONVENTION MRB CONV 30 YEAR FIXED RATE PURCHASE</td>
</tr>
<tr>
<td>MCC (NON KHC 1ST MTG)</td>
<td>MCC MORTGAGE CREDIT CERTIFICATE - ONLY FOR NON KHC FIRST MORTGAGE</td>
</tr>
<tr>
<td>2MK FHA30WDAP</td>
<td>GOVERNMENT SECONDARY MARKET FHA 30 YEAR FIXED RATE PURCHASE WITH DAP</td>
</tr>
<tr>
<td>2MK RHS30WDAP</td>
<td>GOVERNMENT SECONDARY MARKET RHS 30 YEAR FIXED RATE PURCHASE WITH DAP</td>
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</table>
Click on "Select Pricing"
Current Product: MORTGAGE CREDIT CERTIFICATE - ONLY FOR NON KHC FIRST MORTGAGE

No adjustments were found.

<table>
<thead>
<tr>
<th>Investor</th>
<th>Commitment</th>
<th>Prepayment</th>
<th>Rate</th>
<th>Discount</th>
<th>Origination</th>
<th>Margin</th>
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</thead>
<tbody>
<tr>
<td>(Internal)</td>
<td>45 Days</td>
<td>NONE</td>
<td>5.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>
You will need to email khcuw@kyhousing.org to correct interest rate.
Underwriting Tax Credit
With KHC First Mortgage

- **Correspondent/TPO Lender:**
  - KHC will underwrite both first mortgage and tax credit packages simultaneously.

- **Delegated Lender:**
  - Lender will underwrite both first mortgage and Tax Credit.
  - May charge an additional $225 UW Tax Credit Review Fee.

- **Once approved KHC or Delegated Lender will issue a Commitment Letter for First Mortgage and Tax Credit.**

  First Mortgage and Tax Credit must close at same time.
Underwriting Tax Credit
Stand-Alone

- **Correspondent/TPO Lender:**
  - Lenders electronically uploads a Tax Credit compliance package to KHC.
  - KHC underwrites Tax Credit.
  - Lender notified via email of approval, pended, or denied.

- **Delegated Lender:**
  - Lender will underwrite the Tax Credit and make the UW decision.
**Documents to be uploaded to Underwriting File as one-PDF in KHC’s system**

<table>
<thead>
<tr>
<th>ITEMS TO BE INCLUDED ON ALL LOANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Appraisal Report and all attachments</td>
</tr>
<tr>
<td>2. KHC Income (Calculator Printout)</td>
</tr>
<tr>
<td>3. Most recent income statement, if applicable</td>
</tr>
<tr>
<td>4. Promissory note, if applicable</td>
</tr>
<tr>
<td>5. Notice to home buyer (form signed and dated)</td>
</tr>
<tr>
<td>6. FHA mandatory presence and real estate agent certification, fully executed</td>
</tr>
<tr>
<td>7. Final USPS audit (form available on KHC’s website)</td>
</tr>
</tbody>
</table>

**ADDITIONAL DOCUMENTATION REQUIREMENTS FOR LOAN TYPE**

For FHA Loans:
- FHA Form 1004/LT
- FHA Notice to Homeowner
- FHA Notice to Home Buyer (form signed and dated)
- FHA mandatory presence and real estate agent certification, fully executed
- Final USPS audit (form available on KHC’s website)

For CONV Loans:
- FHA Form 1004/LT
- FHA Notice to Homeowner
- FHA Notice to Home Buyer (form signed and dated)
- FHA mandatory presence and real estate agent certification, fully executed
- Final USPS audit (form available on KHC’s website)

For VA Loans:
- VA Form 21-2670 (Cemeteries + Loan Analysis)
- VA Certification of Eligibility
- VA Certification of Eligibility for VA Benefits-related Indebtedness
- Active Duty Certification from Commanding Officer (if applicable)
- VA Amenity Clause

For MRC Loans:
- FHA Form 1004/LT
- FHA Notice to Homeowner
- FHA Notice to Home Buyer (form signed and dated)
- FHA mandatory presence and real estate agent certification, fully executed
- Final USPS audit (form available on KHC’s website)

**IMPORTANT NOTICE**
- All documents must be uploaded to the Underwriting File as one PDF in KHC’s system.
- See KHC Program Guides for more information: [www.kyhousing.org](http://www.kyhousing.org)
**Documents to be uploaded to Underwriting File as PDF in KHC’s system**

**Items to be included on a Stand-Alone (Non-KHC 1st Mtg)**

- MCC Reservation Confirmation
- Final Uniform Residential Loan Application
- Credit Report
- Verification of Social Security Number
- KHC Income Calculator
- Verification of Current Employment
- Most recent YTD pay stub
- Documentation to support income (self-employed, social security, etc) All household income must be taken into account (even non-purchasing spouse)
- Executed Mortgagor Certification of Eligibility (MCC 001)
- Executed Seller Certification (MCC 002)
- Residential purchase contract
- Appraisal
Changes Prior to the Tax Credit Closing

- After the issuance of the KHC Approval (Commitment Letter) and prior to closing, KHC must be notified of any changes to:
  - Household Income.
  - Marital Status.
  - Ownership Interest.
  - Purchase Price or Loan Amount.

- These changes may affect eligibility for the Tax Credit program.
Tax Credit Closing
Tax Credit Closing

- **Tax Credit must close when the first mortgage closes.**
  - Tax Credit Closing documents print with first mortgage closing documents through KHC’s Loan Reservation System.

- **Executed Tax Credit Closing Documents due within 10 calendar days of closing.**

- KHC reviews all documentation and if nothing is outstanding then the Tax Credit Certificate is mailed to borrower.
Tax Credit Closing Documents

- **Closing Documents for Tax Credit with KHC First Mortgage.**
  - KHC Closed Loan Checklist.
  - Closing Certification Form.
  - Sellers Certification.
  - $200 will be netted out when loan is purchased.

- **Closing Documents for Stand-Alone Tax Credit.**
  - Tax Credit Closed Loan Checklist.
  - Check for $500.
  - Executed Final 1003.
  - Closing Certification Form.
  - Closing Disclosure
  - Executed Loan Note.
  - Copy of Lender’s Approval for the First Mortgage.
KYHC Housing Corporation
Closed Loan Checklist

Upload to Closed Loan File within 10 calendar days or less after closing as one pdf document.

**KHC requires legible documents.**

<table>
<thead>
<tr>
<th>Borrower Last Name</th>
<th>KHC Loans</th>
<th>Closing Date</th>
</tr>
</thead>
</table>

- Original Note and completed endorsement or executed Assignment of Note (See KHC’s program guide for proper execution)
- Initial Closing Disclosure showing 3-day delivery
- Final Closing Disclosure
- Seller’s Closing Disclosures
- Final Loan Estiamtes
- Homeowner's Insurance Policy with paid receipt
- Notification Letter from Landlord to Homeowner Insurance Company notifying change in Mortgage Clause, if applicable
- Flood Insurance Application with paid receipt, if applicable
- Notification letter from Landlord to Insurance Company notifying change in Flood Clause, if applicable
- Unsecured Mortgage with McM language (original recorded mortgage due with final doc) and any other applicable riders, per loan type (i.e. Condo Rider, PUD Rider, VA Rider, etc.)
- Unrecorded Deed

Title Commitment (See KYHC’s Program Guide for proper Name of insured and date requirements); original copy of title policy due with final documents within 90 days of closing date
- Final Documents within 90 days of closing date
- Final Type Uniform Residential Loan Application (URLA-1002)
- KYHC’s Survey Certification Form OR Surveyor with Surveyor’s seal and signature
- W-9 Form for each borrower
- Completed Form 4066
- Copy of borrower’s identification and P & R Act Form
- Clear Title Report for Existing or New Unearned Insurance Certification for New Construction (NFCA-9A & B) or Title Waiver (Title Waiver cannot be used on VA Loans)
- Completed Tax Certification Sheet
- Escrow Account Disclosure Statement (REO 3)
- KYHC’s Loan Servicing Notice with Temporary Extension and Suspension of Monthly Payment
- KYHC’s Sale Notice Affidavit for each person associated with signing the mortgage/deed
- KYHC’s Notice of Transfer Form (other KYHC’s form or Landform is acceptable)
- KYHC’s Closing Certificate, Escrow & Quality Control Agreement Form
- KYHC’s Commitment Letter (or Lender’s company approval commitment letter)
- Proof of satisfaction of Underwriting Conditions were met (any documents related thereto)
- Clear Final Inspection, if applicable
- Appraisal Acknowledgment Form
- Complete Credit Package, per credit package checklist, and approved **DL CORRESPONDENTS ONLY**

**Complete credit package and closed loan package should not be executed. Do not send duplicate.**

**Manufactured Home, if applicable:**
- Affidavit of Conversion to Real Estate (ACTEE) and voided Certificate of Title

**KHC Loans:**
- REU Conditional Commitment Letter

**Conventional Loans:**
- Private Mortgage Insurance Disclosures (if applicable)
- Assumption Schedule (Conventional Loans with PMI Only)
- Successful Loan Approval (SLA) reflecting successful status
- HUD Underwriting: Must reflect FHA-Preferred Risk Sharing or FHA-Preferred (Required for pre-purchase QC of Conventional Loans)
- VA Loan: Loan completed within 10 business days prior to close date (Required for pre-purchase QC of Conventional Loans)

**Copy of successful sales contract &监督检查 (Required for pre-purchase QC of Conventional Loans)**

**Copy of successful UCD Findings Report.**

**Recall or Affordable DAC, if applicable:**
- DAC 2nd mortgage Note, closed in KYHC’s name; note must be recorded as an 1st lien document, not recorded as 2nd mortgage
- DAC Initial and Final Closing Disclosures
- Kentucky Housing Corporation’s Servicing Notice and Temporary Payment Plan for DAC Loan

**HDF DAC, if applicable:**
- HDF 2nd mortgage Note, closed in KYHC’s name; note must be recorded as an 1st lien document, not recorded as 2nd mortgage

**Tax Credit, if applicable:**
- Executed Loan Note
- Settled Closing Disclosure
- $200 Net Funded out of First Mortgage Purchase Money
Kentucky Housing Corporation
Tax Credit Closed Loan Checklist

**Documents to be uploaded to MCC Non-KHC 1st – Closed Loan as PDF in KHC’s system**

Items to be included on a Stand-Alone Tax Credit (Non-KHC 1st Mtg)

All Lenders
- Check made out to KHC for $500
- Executed Closing Certification Form
- Executed Loan Note
- Executed Closing Disclosure
- Executed Final Uniform Residential Loan Application
- Lender’s Approval for First Mortgage Loan

Delegated Lender Only – Full Tax Credit Underwriting Package to include:
- MCC Reservation Confirmation
- Credit Report
- Verification of Social Security Number
- KHC Income Calculator
- Verification of Current Employment
- Most recent YTD pay stub
- Documentation to support other income (self-employed, social security, etc) All household income must be taken into account (even non-purchasing spouse)
- Executed Mortgagor Certification of Eligibility
- Executed Seller Certification
- Residential purchase contract
- Appraisal

Stand-Alone Tax Credit Closed Loan Checklist
Federal Recapture Tax
Federal Recapture Tax

- The Federal Recapture Tax does apply to the Tax Credit Program.
  - May apply if homebuyer meets **ALL 3 triggers:**
    - Sells their home within the first 9 years of homeownership **and**
    - has a net gain on the sale of their home **and**
    - household income exceeds allowable income limits as adjusted for each year of homeownership.
      - **More than 5% raises in income per year.**

- 99% of the time borrower is **NOT** subject to Recapture Tax.
Offering the Tax Credit
Offer the Tax Credit on Every Deal!

- Over-deliver what the borrower expects.
- Set yourself apart from other competitors.
- Increase your referral business.
- Fee to the borrower is recouped in the first year the tax credit is claimed.
Find out how our Home Buyer Tax Credit can put more money back in your pocket.

Are you missing out on a BIGGER tax refund?

www.kyhousing.org

Make sure to consult a tax advisor before making any tax decisions.
Are you missing out on a bigger tax refund?

Home Buyer Tax Credit Pamphlet

Home Buyer Tax Credit

KHC Kentucky Housing Corporation
Innovating in quality housing solutions.
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- KHCUW@kyhousing.org

- Single Family Hotline: 502-564-7630 ext. 291
Thank You