

August 21, 2018

# Secondary Market Programs

# KHC Program Guide

## Secondary Market Programs

### August 21, 2018

#### **Reduced Conventional Interest Rates in Underserved Markets**

Effective with new reservations as of today, August 21, 2018, properties located in one of the counties considered Middle Appalachia or Lower Mississippi Delta, will have a reduced interest rate by .25%-.375%. The interest rate can be found on KHC's website, [www.kyhousing.org](http://www.kyhousing.org), on the interest rate page. This program is a first-come, first-serve, limited to 100 families and must be reserved by December 31, 2018. When reserving this program in KHC's Loan Reservation System, be sure to select 2MK DTS Preferred or 2MK DTS Preferred Risk. Applicant's income is limited to 100% AMI. See income chart and map on pages 15-16.

#### **Affordable Dap Increasing from \$4,500 to \$6,000**

Effective with new reservations as of today, August 21, 2018, the Affordable DAP will increase to \$6,000. The term of 10 years and 1% interest rate will remain the same.

#### **FHA Manual Underwriting**

Effective immediately, KHC will allow manual underwriting on FHA loans.

- Loan receiving a "Refer" finding; and
- Loan receiving an "Approve/Accept" finding but which have been downgraded to a "Refer" by the Underwriter; and
- Loan receiving an "Approve/Accept" is downgraded to a "Refer" loan must be a manual underwrite.
- Minimum credit score of 620.
- A VOR is require if rent is paid to a management company or 12 months cancelled checks if paid to an individual.
- A LOE from borrower is required if borrower is living rent free.

KHC follows HUD guidelines with the exception of the minimum 620 credit score and VOR or LOE regarding not paying rent. Refer to the KHC/FHA Manual Underwriting Matrix on KHC's Lender Resources page, in the First Mortgage Program Information tab.

## KHC's Secondary Market Conventional Products 30-Year Loan Term

PARAMETER	Preferred Risk	Preferred
<b>Loan Terms</b>	30-Year, Fixed Interest Rate	
<b>Eligible Occupancy</b>	Owner Occupied	
<b>Eligible Purpose</b>	Purchase	
<b>Eligible Property Types</b>	One-unit dwellings or approved condominiums	
<b>Manufactured Housing</b>	<b>Limited to 95/105%</b> <b>Choose Preferred MH or Preferred Risk MH with or without DAP when making a reservation in KHC's system</b>	
<b>Down Payment of 3%</b>	Borrower's Funds, Gift, KHC DAPs, or Welcome Home Monies	
<b>Maximum LTV/CLTV</b>	<b>97/105%</b>	
<b>Minimum LTV</b>	<b>80.01%</b>	<b>No Limit</b>
<b>Minimum Credit Score</b>	<b>660</b>	
<b>Ratio Guidelines</b>	<b>40/50%</b>	
<b>Borrower Contribution/Reserves</b>	None	
<b>Income Limit</b>	KHC's Secondary Market Income Limits	
<b>Manual Underwriting</b>	Not Permitted	
<b>Maximum Seller Contributions</b>	4% for CLTV > 90%-- <b>Special Feature Code 849</b> and 6% for CLTV<or=90%	
<b>Other Real Estate Property</b>	Can own other real estate property at time of closing	
<b>Subordinate Financing</b> ***if property is a KHC REO, none of KHC's DAPs can be used***	Community Seconds per Fannie Mae Guidelines, All KHC DAPS Applicable. <b>Special Feature Code 118 Community Seconds</b>	
<b>Home Buyer Education</b>  <i>Follow DU Findings</i>	If all borrowers obtaining the loan are first-time home buyers (no ownership interest in a residential property in the last three years), at least one person on the loan must complete pre-purchase home buyer education in the form of an online, telephone, or face-to-face workshop	
<b>Documentation</b>	Verbal VOE for salaried borrower(s) within 10 business days prior to note date and 30 calendar days prior to the note date for self-employed borrower(s).	
<b>Mortgage Insurance</b> <i>KHC will order ALL MI for TPO Lenders</i> <i>See page 7 for specific guidelines</i>	None Required	<b>Required – Charter Coverage</b> 97% - 95.01% 18% 95% - 90.01% 16% 90% - 85.01% 12% 85% - 81.00% 6% 80% or below None
<b>KHC Approved MI Companies</b>	N/A	<b>Arch MI, Essent, Genworth, MGIC, National MI, Radian &amp; UG</b>
<b>Desktop Underwriter (DU)</b> <b>Only allowable AUS system</b>  <i>Must receive an Approved/Eligible recommendation</i>	In the "ADDITIONAL DATA" screen, select <b>"HFA PREFERRED RISK SHARING"</b> Special Feature Code: 820	In the "ADDITIONAL DATA" screen, select <b>"HFA PREFERRED"</b> Special Feature Code: 741

*KHC will not purchase conventional loans that are determined to be High Priced Mortgage Loans.  
Borrower must meet BOTH KHC and MI Company guidelines.*

# KHC's Secondary Market Government Programs 30-Year Loan Term

## Federal Housing Administration (FHA)

- Minimum **620** credit score
- Financing to 96.50% of lesser of sales price or appraised value
- All KHC DAPs and other KHC-approved secondary financing applicable
- Maximum ratios of 40/50 with AUS approve/eligible, accept/accept through TOTAL.
- Manual underwriting accepted. KHC follows HUD guidelines with the exception of the minimum credit score of 620 and VOR or LOE regarding not paying rent.
- Verbal VOE for salaried borrower(s) within 10 business days prior to note date

## Upfront and Annual Mortgage Insurance Premiums 30-Year Loan Term

<b>LTV less than or equal to 95%</b>	1.75% UFMIP .80 Annual
<b>LTV greater than 95%</b>	1.75% UFMIP .85 Annual

## Rural Housing Services (RHS)

- Minimum **620** credit score
- Financing to 100% of the appraised value, plus guarantee fee of 1.00%/0.35% annual fee.
- All KHC DAPs and other KHC-approved secondary financing applicable
- Ratio requirements per agency guidelines
- Two trade-lines with a minimum of 12 month history
- KHC will accept GUS findings, including reduced documentation and, with approval, expanded ratios up to 40%/50%
- Verbal VOE for salaried borrower(s) within 10 business days prior to note date and 30 calendar days prior to the note date for self-employed borrower(s)

## Veteran's Administration (VA)

- Minimum **620** credit score
- Financing to 100% of the lesser of the appraised value or sale price
- All KHC DAP programs and other KHC-approved secondary financing may be used
- Ratio requirements and funding fee per agency guidelines
- Maximum ratios of 40/50% with AUS Approval
- **Delegated and Correspondent lenders may charge a 1% VA Flat Charge in addition to VA allowable fees**

## KHC's Secondary Market FHA Refinance Programs 30-Year Term

Program	Streamline Non-Credit Qualifying Refinance and Credit-Qualifying Refinance	Simple Refinance	Rate / Term Refinance
AUS	Manual Underwrite No Ratio Calculation – for Non-Credit Qualifying 31/43% Ratios – for Credit Qualifying	Manual Underwrite (Must be initially run through TOTAL) 31/43% Ratios	DU or LP Approval 40/50% Ratios
Maximum LTV / CLTV	For the purpose of calculating the MIP, FHA uses the Original Appraised Value to calculate the LTV  With New Appraisal – calculate the LTV based on updated value  <b>No maximum CLTV</b>	97.75% LTV/CLTV	<b>97.75% LTV/CLTV</b> <b>85% LTV/CLTV</b> if borrower has owned or occupied the property as their principal residence for less than 12 months
Minimum Credit Score	<b>620</b>		
Appraisal	No Appraisal Required		Appraisal required
Term	30-Year Term		
Loan Types	FHA		Conventional, FHA, VA & RHS
Documents	Verbal VOE & Most Recent YTD Paystub		
Cash Back	Less than or equal to \$500		
Seasoning	Per Agency Guidelines		
Mortgage Calculation	<b>Per Agency Guidelines</b> Principal Balance and New UFMIP	<b>Per Agency Guidelines</b> No second liens included	<b>Per Agency Guidelines</b> Can possibly include any purchase money second liens or junior liens over 12 months old
UFMIP	1.75%		
Annual Mortgage Insurance Premium	LTV > 95%: .85 basis points LTV < or = 95%: .80 basis points		
Single Family Streamline refinance transactions that are refinancing FHA loans endorsed <i>on or before May 31, 2009</i> , Annual MIP will be 55 bps, regardless of base loan amount. The UFMIP will decrease from 1% to 0.01% of the base loan amount.			
<b>KHC can subordinate a DAP when refinancing the first mortgage back through KHC.</b>			

# KHC's Secondary Market RHS Streamlined-Assist Refinance Program 30-Year Loan Term

## Rural Housing Services (RHS)

### Eligibility Requirements

- Must meet KHC and RHS Guarantee's household income limitations
- Must reside in eligible rural location and remain as principle residence
- Must have made timely mortgage payments for the last 12 months
- Seasoning requirement of at least 12 months
- Must have a minimum **620** credit score
- Must have a net tangible benefit of \$50 or greater reduction in new PITI (including annual fee) as compared to current PITI payment
- Existing loan must be a 502 guaranteed loan only
- Ratio calculation not required
- Must be a manual underwrite and not processed through GUS
- Borrower must be employed at time of closing or have alternative sources of income, such as retirement, social security, disability, alimony, or child support
- Borrowers may be added but NOT removed (unless deceased) from the current loan
- The maximum loan amount may include the principal and interest balance of the existing loan, eligible loan closing costs, funds necessary to establish a new tax and insurance escrow account and the upfront guarantee fee. No cash out is permitted.
- Income: Verification of all sources of income eligibility only – not for repayment

### Streamlined Benefits

- No appraisal required
- Reduced documentation
- No credit or ratio underwriting
- Reduced fees with all closing costs included in loan amount
- Quicker closings

### Lender Partnerships

- **Delegated Lender** – Originate, process, responsible for program compliance, credit and property underwrite, close and fund KHC's Secondary Market loan products, register loan in MERS and obtain insuring document.
- **Correspondent Lender** – Originate, process, credit underwrite, close, and fund KHC Secondary Market loan products, register loan in MERS, and obtain insuring document.
- **Third-Party Originators** – Originate and process Kentucky Housing Corporation loan products. KHC performs the underwriting, closing and table funds the loans. The loan will close in KHC's name.

### Lender Compensation

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 Lenders may charge a 1% VA Flat Charge in addition to the VA allowable fees. Lender needs to show this fee as a VA Flat Charge in the origination charges on the LE and CD. This fee is ONLY applicable for VA loans. TPO Lenders may not charge the 1% VA Flat Charge.

**Delegated Lender:** May make a maximum of 2.50% plus customary and reasonable fees.

May charge a MCC Review Fee of \$225 when offering a MCC.

**Correspondent Lender:** may make a maximum of 2.50% plus customary and reasonable fees to include the underwriting fee of \$495 paid to KHC (netted out at time of purchase) for Conventional and RHS loans.

- 2.50% paid to Delegated or Correspondent Lender at time of loan purchase

**Third-Party Originators:** may make a maximum of 2.00%:

- 2.00% paid to the lender at closing
- All Loans close in KHC's name

### Additional Fees

**Administrative Fee:** On *EVERY* loan an Administrative Fee of **\$125** must be disclosed paid to KHC.

### KHC Second Mortgage Fees

The DAP Loan Estimate and Closing Disclosure will be available for the Regular and Affordable DAP to all KHC Approved Lenders through KHC's Loan Reservation System. HHF DAP will utilize a GFE, TIL and HUD-1 since it does not meet TRID regulations. These forms will be available through KHC's Loan reservation System.

- HHF, Regular and Affordable DAP Document Preparation Fee to the Closing Agent -- **\$50**
- DAP Recording Fee -- **\$ Actual Cost**

### Delegated and Correspondent Lenders

- MUST fund ALL DAPs
- **ALL DAPs will close in KHC's name effective with new reservations as of 3/12/2018.**
- The lender needs to identify KHC as the governmental entity in FHA Connection for all FHA Loans. The ultimate holder of these DAP loans is KHC who has the exemption.
- 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.
- KHC will not allow high-cost mortgages under the revised HOEPA coverage test.

### Third-Party Originator Lender

#### Loan Estimate and Closing Disclosure

KHC requires TPOs to utilize KHC's Loan Estimate and Closing Disclosure for both first and Regular & Affordable DAP mortgages. HHF DAP will utilize a GFE, TIL and HUD-1 since it does not meet TRID regulations. These forms will be available through KHC's Loan reservation System.

### KHC Approved Closing Agents – TPO Lender

TPO Lenders are required to use one of KHC's approved closing agents for title and closings. If the approved closing agent writes the title policy, the charge is \$500. But, if the closing agent is not writing the title policy, the charge is \$700. See Closing Attorney Manual and Approved Closing Agents on KHC's website for details.

### Home Buyer Eligibility

- Must be U.S. citizen or have legal status to be in the U.S.
- **Applicant's** gross annual income must be within Secondary Market applicable limits.
- Income is determined by using the gross annual income of the mortgagor(s).

### Gross Annual Income

#### Compliance Income

Gross annual income for compliance is the sum of the total anticipated income from all sources received by the **applicant(s)** during the 12-month period commencing with the date of initial occupancy (closing). **Non-borrowing occupant's income will not be considered.**

#### Qualifying Income

Qualifying income includes income from the **applicant(s)** that is considered stable (continuing for at least three years, "effective income") and is used to calculate household's debt ratios.

To assist the lender in calculating compliance income, an income calculator is located on KHC's website under Lender Resource/Calculator tab.

### Mortgage Insurance with Preferred

KHC allows Charter Coverage for the 97% conventional Preferred program. KHC will order ALL MI Certificates for TPO Lenders. TPO Lenders will have the ability to choose the MI Company when making a loan reservation. KHC Delegated and Correspondent Lenders will order their own MI Certificates. KHC Delegated and Correspondent Lenders can continue their existing delegated MI relationship with MI Companies or send the file to the MI Company for approval. KHC will accept both based on the company's preference. Correspondent Lenders will need to provide the Final MI Certificate prior to KHC's Loan Approval. Listed below are the MI Companies and the portal names to access the conventional Preferred program.

#### **Arch MI**

#### **Essent**

**Genworth:** Simply Underwrite



**MGIC:** MGIC Go!

**Radian:** One Underwrite

**UG**

**National MI**

Borrower must meet BOTH KHC and MI Company guidelines. Lenders have the option of a Single Pay Upfront option for mortgage insurance. This can be either Borrower Paid or Lender Paid.

**Mortgage Insurance on HFA Preferred with Manufactured Housing:**

**MGIC, Genworth and National MI** allow 95% LTV / 105%CLTV

**ARCH, UG and Radian** allow 95% LTV / 95%CLTV  
**Essent** is not insuring Manufactured Housing.

### **Interested Party Contributions (IPC) on Conventional Loans**

Effective August 1, 2017, Fannie Mae is raising allowable seller contributions from 3 percent to 4 percent on CLTV's greater than 90% only on Preferred and Preferred Risk conventional loans. The additional 1% of the IPC must be used for borrower's closing costs. DU Approve/Eligible required, however lender may disregard any DU messaging because the IPC exceeds the maximum allowable contributions. Loans with this IPC must close by **August 31, 2018**.

### **Credit Standards**

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 are listed down below.

- Insuring Agency credit standards for the loan type
- **620** minimum credit score required for FHA, VA and RHS
- **660** minimum credit score required for Conventional and must receive an Approve/Eligible recommendation from DU through HFA Preferred Risk or HFA Preferred Program.
- AUS approval (DU or LP) required for FHA Rate/Term Refinance Program, and VA Purchase Program.
- **KHC allows manual underwriting with FHA loans if not able to receive an AUS Approval. KHC follows agency guidelines regarding manual underwriting with the exception of the minimum credit score of 620 and VOR or LOE regarding not paying rent.**
  - KHC will accept GUS findings for RHS Purchases.
  - FHA Streamline and Simple Refinance – must not use AUS.
- Maximum debt ratios for Conventional programs allowed are 40/50, with Approval thru DU.
- Maximum debt ratios allowed on government programs are 40/50, with AUS approval.
  - Maximum debt ratios for RHS of 29/41 for manual underwriting w/o GUS approval.
- Judgements, collections, bankruptcy, charge-offs, and foreclosure follow insuring agency guidelines.
- Non-taxable income can be grossed-up per insuring agency guidelines.
- Maximum age for credit documents:
  - Government Loans is 120 days
  - Conventional Loans is 4 months
- IRS Form 4506-T is required to be executed by the borrower at the time of application or closing.

### **Appraisal Process for Correspondent Lender**

Correspondent Lender will continue to order ALL appraisals. Correspondent Lender participating in the Conventional product will be required to upload the appraisal into FNMA Uniform Collateral Data Portal (UCDP) system prior to submission to underwriting. For Delegated Lenders, it must be uploaded prior to approving the loan.

Correspondent Lender must provide a copy of the Submission Summary Report (SSR) form showing a successful status with a doc file ID along with the UAD compliance form and any proprietary appraisal messages. Lenders shall submit any additional documentation relating to these findings.

All Conventional Appraisals must be in compliance with Appraisal Independence Requirements (AIRS). KHC will accept transferred appraisals as long as in compliance with AIRS.

### **Appraisal Ordering Process for Third Party Originator Lenders**

ARIVS must be used for all FHA, RHS and Conventional appraisal requests for the Third Party Originator (TPO) lenders. TPO lenders need to get set up with ARIVS, [www.arivs.com](http://www.arivs.com)

All Conventional Appraisals must be in compliance with Appraisal Independence Requirements (AIRS). KHC will accept transferred appraisals as long as in compliance with AIRS.

### **Appraisal Ordering Workflow for TPO Lenders**

- Complete a case number request for FHA Loans and electronically upload into the FHA Case Number Request tab, in KHC's Loan Reservation System, with a copy of the purchase contract and page one of the 1003. KHC will notify TPO Lender by email when the case number is uploaded in the system.
- TPO lenders will order appraisal through ARIVS' website: [www.arivs.com](http://www.arivs.com).
- This service will be paid for at time of the initial request.
- TPO lenders can track the progress of the appraisal online.
- TPO Lenders do not need to upload the appraisal. ARIVS will send directly to KHC.
- Once the appraisal is completed, an email will be sent to both the TPO lender and KHC giving access to the appraisal.
- KHC will underwrite the appraisal and upon completion will notify TPO lender via email. If the loan is a FHA loan, the Conditional Commitment will be attached to the email.
- Appraisal corrections or value disputes begin with an email to [khcuw@kyhousing.org](mailto:khcuw@kyhousing.org). If there is evidence to support a revision, information will be forwarded to ARIVS for a rebuttal and final determination of value.
- 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.
- If a final inspection is required, the TPO lender will be responsible for ordering this through ARIVS.
- At closing, the TPO lender will collect the appraisal fee and any final inspection fees from the borrower.



- The fee for appraisals are \$495 for FHA & RHS and \$425 for Conventional loans. Final Inspections will be \$150

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. FHA Appraisals are good for 120 days.

### Property Eligibility

**Residence** – one-unit, single-family dwelling, new or existing property located in Kentucky

If appraisal shows as a 2-unit property and on separate utilities – then property will **NOT** work.

- **Secondary Market Purchase Price Limit of \$301,294**

- KHC requires a full appraisal.
- Manufactured homes are eligible with FHA, VA & RHS.
- May own other real estate at closing, following insuring agency guidelines.
- The new loan with KHC must be the borrower's primary residence.
- **Termite Report**  
Kentucky Housing Corporation will follow the insuring agency guidelines.
- If termite report has been done, KHC requires a copy of the report. If the report shows damage to foundation, main beams, etc., and/or water in crawl space/basement, this must be addressed. All infestation must be treated and proof of treatment must be provided. Structural damage inspections may be provided by a structural engineer or FHA fee inspector.
- If the borrower has waived having a termite inspection, the Kentucky Housing Corporation Termite Inspection Waiver (Form 99) must be signed at closing.
- **A termite soil treatment certificate (Form NPMA 99A and 99B) is required on all new construction properties except on conventional loans.**

### Repairs

All repairs required as part of appraisal must be completed prior to closing and inspected by appraiser or appropriate fee inspector.

### New Construction

✓ For FHA, VA, and RHS a one-year building warranty is required. Also ten-year warranty with final inspection; or three inspections; or building permit, certificate of occupancy, and photos

### Manufactured Housing

- Only new manufactured housing is permitted with RHS. New and existing single and doublewide manufactured homes are acceptable with FHA and VA.
- Both new and existing manufactured housing is allowed with conventional preferred and preferred risk programs.
  - 95% LTV / 105% CLTV
  - No engineer inspection required.
- Affidavit of Conversion to Real Estate is required. Must have a valid title or certificate of origin to prepare affidavit. Copy of the cancelled or surrendered title and ALTA 7 endorsement to title policy is required.
- For New Construction –obtain Certificate of Origin (in Underwriting package), then apply for title of loan, then do Affidavit of Conversion.

### Condominiums

Condominium or planned unit developments must meet Insuring Agency guidelines.

KHC's condo listing on the KHC's website on the Lender Resource page under the Condominium tab is a list for hazard insurance purposes only.

This condo list does **not** warrant that the condo is approved by an insuring agency or KHC.

If condo is not listed, Kentucky Housing requires proof of whether the interior coverage is included in the master policy. If not, a separate interior policy equal to half of loan amount is needed.

On the Condominium tab on the Lender Resource page of KHC's website a Fannie Mae Condo Questionnaire and Condo Project Manager Request (CPM) form is available.

### Community Land Trust

KHC is in a pilot phase with Lexington Community Land Trust. The following are some of the specifics for this program:

- Call for interest rate pricing.
- First mortgage option is the conventional CLT Preferred Program.
- DU approval required.
  - HFA Preferred Program to be selected as the Community Lending Product in DU.
  - Affordable LTV needs to be listed in the Product Description field in the Additional Data section. With this indication DU will determine the LTV, CLTV, and HCLTV ratios solely on the appraised value for purchase transactions.
  - Special Feature Code 054.
- Borrower(s) must meet Lexington Community Land Trust income limits.
- Must meet specific Fannie Mae Community Land Trust Appraisal requirements. See Fannie Mae's [section B4-1.4-06: Community Land Trust Appraisal Requirements](#).
- Fannie Mae form 2100 is the rider that is recorded with the ground lease.
- For more specific information reach out to KHC at 502-564-7630 ext. 291.

### Section 8 Voucher to Homeownership

Eligible Section 8 participants may use their Housing Choice Voucher to assist them in purchasing a home. The term of assistance is 15 years, unless elderly or disabled.

Housing Choice Voucher assistance can be used two different ways. See the Section 8 Calculator on Kentucky Housing's website.

- Counted as Income (FHA, RHS, and VA)
  - ✓ Added to the gross monthly income for determining ratios (can gross up per insuring agency guidelines).
- Counted as a PITI Reduction (FHA and RHS)
  - A reduction of PITI (added to qualifying ratio based on gross earnings only, no grossing up).
- Minimum credit score policy of **620** is required.
- AUS requirement is waived.

### Assumable

All Kentucky Housing Corporation FHA, VA, and RHS loans are assumable provided buyer meets Agency Guidelines and

KHC requirements of the KHC Secondary Market Program. Conventional loans are not assumable.

### **First Mortgage Term and Rate**

- Purchase and Refinance Term – Fixed for 30-year term.
- Rate – Subject to change on a daily basis. Review rate on KHC's website.

### **Reservation of Funds**

- Reservations for Secondary Market first mortgages, Regular and Affordable DAP can be made from 10 a.m.-9 p.m., Monday –Friday, through KHC's Reservation System on the website.
- New and existing property – **45-day lock**.
- Must have property identified.
- Each buyer may have only one current reservation
- Purchases and refinances must close within the 45 day lock.
- Any change to loan amount over a 10% tolerance may result in a higher interest rate.
- A second reservation may not be issued unless initial reservation has been expired or cancelled for 30 days or the borrower has changed property.
- **Locks that expire on the weekend or holiday will automatically be extended to the following business day.**
- KHC will monitor loan fall out.
- **Reservation Extension Policy:**
  - 7 days for .125% fee
  - 15 days for .25% fee
  - 30 days for .50% fee
- Once the loan has reached the 37-day extension period the lender will be required to go worse case pricing on the loan based on the higher of the original interest rate or market rate for 45 days. Borrower will still be responsible for any extension fees incurred up to this point.
- Property Change–If the borrower changes property, the current interest rate is cancelled and a new reservation has to be made at the market interest rate.
- For adjustments, the lender must call 800-633-8896, ext. 291, or email [khcuw@kyhousing.org](mailto:khcuw@kyhousing.org) to have a change made.

### **Automated Underwriting**

- Prior to closing, Kentucky Housing Corporation or its delegated underwriter must still approve all loans approved by Automated Underwriting Systems (AUS).
  - ✓ No LP allowed with conventional Preferred Risk or Preferred programs.
  - ✓ Contact KHC if sponsorship is needed for DU access
  - ✓ No stated income allowed.
  - ✓ Must have full appraisal
- KHC requires AUS approval on all VA and Conventional loans.
- **KHC allows manual underwriting with FHA loans if not able to receive an AUS Approval. KHC follows agency guidelines regarding manual underwriting with the exception of the minimum credit score of 620 and VOR or LOE regarding not paying rent.**
- KHC will accept GUS findings on RHS Loans as well as the reduced documentation detailed within.
- All **applicants'** income must be considered.

- For the HHF, Regular, or Affordable DAPs the second mortgage amount must be shown as subordinate financing in DU/LP.
- KHC's Regular and Affordable DAP must be disclosed on a separate Loan Estimate and Closing Disclosure.
- HHF DAP must be disclosed on a GFE, TIL, and HUD-1, since it does not meet TRID regulations.

### **Loan Review Process**

Kentucky Housing Corporation will attempt to review the file within 2-4 business days of receipt. KHC will notify the lender of loan status by email to the email address identified by the lender at the time reservation.

- The email will identify borrower's name and status of loan. Approvals, rejections, and listings of pended items can be printed from the website.
- All conditions of loan approval must be met prior to or at closing. Proof that all conditions have been met must be provided in closed loan package submitted to KHC.

### **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.

### **Paperless Technology (Virpack)**

Lenders are required to upload files electronically through KHC's Loan Reservation System. For Multi-function devices and scanners the below settings will need to be made standard so that the quality of scanned files is optimal:

- 300 dpi
- Black & white (not grayscale as that will create significantly larger image files)
- Auto-Sense Page Size
- TIFF Images
- No Page Scaling
- Do not compress and zip files

If you have questions please contact your technical support staff.

Upload options include: Underwriting File, Appraisal, Pend Conditions, MCC Non-KHC 1<sup>st</sup> – Closed Loan File (use this bundle when the first mortgage is through another investor), and Closed Loan File.

When uploading the "Underwriting File", the Appraisal needs to be uploaded separately to the Appraisal Task.

Only one "BUNDLE" PDF file format may be uploaded.

"Bundle" checklist of items needed prints when loan reservation is made. Limit to no more than 300 pages for all "bundles". Do not upload duplicates, ineligible copies and additional documentation NOT required.

**Delegated Lender:** Upload the final "Appraisal", "Closed Loan File" which would include the credit and underwriting package along with the ten-day closed loan documents. Original note and security documents need to be mailed.

**Correspondent Lender:** Upload final “Appraisal”, “Underwriting File”, “Closed Loan File”. Original note and security documents still need to be mailed to KHC.

**TPO Lender:** Upload “Underwriting File”, the “Appraisal” for VA loans only. ARIVS will directly send copy of the FHA, RHS and Conventional appraisals to KHC so no need for TPO Lender to upload. TPO Lenders still need to submit the Pre-closing items through the “Schedule Closing” tab. Do not send as pending conditions or with underwriting file.

If lender leaves out a document during the upload process then send this document to [khcuw@kyhousing.org](mailto:khcuw@kyhousing.org) mailbox.

The Security Documents from the Delegated or Correspondent Lender must be originals and are required to be mailed to KHC’s Single Family Closing and Quality Review team, 1231 Louisville Road, Frankfort, Kentucky, 40601.

For more specific information on the workflow of electronically uploading “Bundle” into KHC’s Loan Reservation system click on: [Electronic Upload Training](#)

### **Conventional Fannie Mae Requirements for Delegated/Correspondent Lender**

Correspondent Lender must comply with all Fannie Mae requirements for origination, processing, underwriting, pre-funding review, closing, and post-closing. Lenders must comply with pre-funding requirements of a sample prior to closing. Any significant findings must be reported to KHC within 30 days. Lenders must ensure that all loans are not considered High Priced Mortgage Loans. KHC will **NOT** purchase a High-Priced Mortgage Loan. Lenders will verify employment on all borrowers within 10 business days prior to the note date. Lenders will also upload appraisal to the Uniform Collateral Data Portal (UCDP) System.

Effective September 25, 2017, Fannie Mae will require the UCD XML file for all conventional loans (with note date on or after September 25, 2017). Lenders will complete their own submissions to Uniform Closing Dataset (UCD) and provide a copy of the successful UCD Findings Report in the electronic upload of the Closed Loan File in order for the loan to be purchased by KHC.

### **Conventional Fannie Mae Requirements for Third Party Originator Lenders**

TPO’s will be required to obtain a verification of employment on all borrowers within 10 business days prior to the note date. KHC will perform the 10% pre-funding sample and uploading of appraisal to the Uniform Collateral Data Portal (UCDP) System.

Effective September 25, 2017, Fannie Mae will require the UCD XML file for all conventional loans (with note date on or after September 25, 2017). KHC will complete the Uniform Closing Dataset (UCD) on behalf of the TPO Lenders.

### **KHC’s Homebuyer Tax Credit**

- **Effective with new reservations on 5/18/2018**, homebuyers in any county of Kentucky may take a “Life of Loan” tax credit equal to **25 percent** of their annual mortgage interest paid.
  - Not to exceed \$2,000 per year.
- Each year the borrower claims the Tax Credit with their annual federal tax return using IRS form 8396.
- The Tax Credit is not assumable.

### **Eligibility**

- Home buyers must meet MRB Guidelines:
  - Household Income and purchase price limits.
  - Must be a first-time home buyer unless the home is in a targeted county.
  - Tax Credit may be used with KHC’s Secondary Market Program or other investor’s 30-year fixed mortgage.
  - Tax Credit cannot be used with KHC’s MRB Program.
  - Refinancing of construction loans, bridge loans, or other temporary financing is eligible.
- **Maximum purchase price of \$271,164.**
  - Must be borrower’s primary residence.
  - If acreage over 1 acre must complete acreage waiver request and have appraiser add comment to appraisal.
  - Cannot own any other real estate at closing.
  - Eligible properties include one-family residences, manufactured housing, PUDs, townhouses and condominiums.
- Changes in the borrower’s Gross Annual Household Income, marital status, ownership interest, purchase price or loan amount prior to closing could affect program eligibility.

### **Fees**

- \$200 Tax Credit fee if through KHC’s Secondary Market Program.
- \$500 Tax Credit fee if through another investor’s 30 year fixed program.
- Delegated Lenders may charge a **\$225** Tax Credit review fee.

### **Benefits**

- Life of loan Tax Credit.
- Larger tax refund every year.
- Borrower can adjust their withholding (Form-W-4) through their employer, increasing their take home pay.
- The anticipated credit may be used for qualification.
  - *FHA and Conventional: Allows the credit to be used as additional income in calculating ratios.*
  - *RHS: Allows the Credit to be used as additional income OR deducted from PITI in calculating ratios.*
  - *VA: Allows the credit to be deducted from Federal Taxes*
- 75% of total year mortgage interest is tax deductible.

### **Other Information**

- Home owner may be subject to a recapture tax if the following three triggers occur:
  - The residence is sold within the first nine years of the closing date, **AND**
  - The borrower has a net gain on the sale of the residence, **AND**
  - The borrower’s income has significantly increased since the closing date (more than 5% raises every year) and exceeds the limits established by the IRS.
- A lender can offer the Tax Credit by signing a Tax Credit Lender Participation Agreement and pay a one-time fee of \$1,000.
- **When a borrower refinances and has an existing MCC:** Borrower must complete an application to request a reissuance of the Tax Credit. KHC charges a \$100 fee. Need a copy of the new Note and Closing Disclosure.

<b>Second Mortgage Products</b> <b>Down Payment Assistance Program (DAP) Guidelines</b> Only home buyers obtaining a Kentucky Housing Corporation first mortgage are eligible for DAP funds. Interest Rate with DAP applicable.			
DAP	HHF Not available.	Regular	Affordable
Income Eligibility	Secondary Market	Secondary Market	Affordable DAP Income
Eligible Properties  **HHF DAP cannot be used in conjunction with New Construction properties. Property must have been previously occupied**	<u>Existing Property Located in</u> Christian, Hardin, Jefferson or Kenton County No New Construction	New and Existing Properties	
Eligible Borrowers	First-time Home Buyers (No ownership interest in the last 3 years)	First-time and Repeat Home Buyers	
Amount	<b>\$10,000</b> Not required to be at maximum LTV first mortgage amount	<b>Up to \$6,000</b> Not required to be at maximum LTV first mortgage amount	<b>Up to \$6,000</b> Not required to be at maximum LTV first mortgage amount
Terms	<b>0% Forgivable</b> , second mortgage over a five-year term	<b>5.50%</b> amortized over <b>10 years</b>	<b>1%</b> amortized over <b>10 years</b>
Purchase Price Limit	<b>\$301,294</b>		
AUS	Enter as <b>Subordinate Financing</b> AUS Approval required		
Home Buyer Education	<b>All</b> Borrowers must complete pre-purchase home buyer education in the form of an online, telephone, or face-to-face workshop	Not Required	
Ratios	No monthly payment. With AUS approval, can go up to <b>40/50%</b> with all loans.	Borrower must qualify with additional monthly payment. With AUS approval, can go up to <b>40/50%</b> with all loans.	
Required Repairs	Buyer or seller may use <b>OWN</b> funds to pay for repairs and pay off existing debt		
DAP Disclosures	GFE, TIL, HUD-1, and Dodd-Frank Cert. Can be generated from KHC's Loan Reservation System	Loan Estimate and Closing Disclosure Available in KHC's Loan Reservation System-- <b>\$50</b> Document Preparation Fee to closing agent and <b>\$26</b> (estimated) Recording Fee	
<b>HHF DAP is available on a first-come, first-served basis.</b>			

\*Borrowers are encouraged to consult an accountant for full details on tax effects of this or any financial program.

**KENTUCKY HOUSING CORPORATION**  
**2018 SECONDARY MARKET**  
**GROSS ANNUAL APPLICANT'S INCOME LIMITATIONS**  
 Effective May 17, 2018

**Secondary Market Purchase Price Limit -- \$301,294**

County	Income Limits	County	Income Limits
Anderson	121,450	Kenton	137,025
Boone	137,025	Larue	107,625
Bourbon	122,675	Lyon	105,875
Bracken	137,025	Marshall	104,300
Bullitt	125,125	McCracken	122,150
Campbell	137,025	McLean	109,025
Clark	122,675	Madison	115,325
Daviess	109,025	Meade	105,875
Fayette	122,675	Nelson	108,675
Franklin	114,100	Oldham	125,125
Gallatin	137,025	Pendleton	137,025
Hardin	107,625	Scott	122,675
Hancock	109,025	Shelby	131,600
Henderson	113,925	Spencer	125,125
Henry	125,125	Trimble	125,125
Jefferson	125,125	Woodford	122,675
Jessamine	122,675		

**Applicant's Income Limit for all other counties not listed above: \$103,600**



**2018 AFFORDABLE DAP  
GROSS ANNUAL APPLICANT'S INCOME LIMITS**  
Effective May 17, 2018

**Secondary Market Purchase Price Limit -- \$301,294**

County	Income Limits	County	Income Limits
Allen	45,920	Jefferson	57,200
Anderson	55,520	Jessamine	56,080
Ballard	44,640	Kenton	62,640
Barren	40,000	Larue	49,200
Boone	62,640	Livingston	42,720
Bourbon	56,080	Logan	40,400
Boyd	43,920	Lyon	48,400
Boyle	44,880	Madison	55,840
Bracken	62,640	Marion	49,840
Breckinridge	45,920	Marshall	52,720
Bullitt	57,200	Mason	40,000
Butler	45,920	McCracken	47,680
Caldwell	43,760	McLean	49,840
Calloway	45,360	Meade	48,400
Campbell	62,640	Mercer	46,080
Carlisle	42,000	Muhlenberg	40,880
Carroll	40,480	Nelson	49,680
Christian	44,320	Nicholas	39,600
Clark	56,080	Oldham	57,200
Crittenden	43,520	Owen	42,800
Daviess	49,840	Pendleton	62,640
Edmonson	45,920	Powell	41,360
Fayette	56,080	Robertson	40,560
Franklin	52,160	Rowan	42,720
Gallatin	62,640	Scott	56,080
Garrard	44,560	Shelby	60,160
Grant	62,640	Simpson	41,760
Graves	43,840	Spencer	57,200
Greenup	43,920	Todd	42,240
Hancock	49,840	Trigg	44,320
Hardin	49,200	Trimble	57,200
Harrison	40,880	Union	40,960
Henderson	52,080	Warren	45,920
Henry	57,200	Washington	42,640
Hickman	41,040	Webster	42,240
Hopkins	46,800	Woodford	56,080

**Applicant's Income Limit for all other counties not listed above: \$39,520**

**KENTUCKY HOUSING CORPORATION HOME BUYER TAX CREDIT  
2018 GROSS ANNUAL HOUSEHOLD INCOME LIMITS  
Effective May 17, 2018**

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 bondholders.

**Funding Source: Home Buyer Tax Credit (Purchase Price Limit – \$271,164)**

Person(s) per household	(1 or 2)	(3 or more)	Person(s) per household	(1 or 2)	(3 or more)
Anderson	69,400	79,810	Kenton	78,300	90,045
Ballard	59,200	68,080	Larue	73,800	86,100
Barren	59,200	68,080	Laurel	59,200	68,080
Boone	78,300	90,045	Livingston	59,200	68,080
Bourbon	84,120	98,140	Lyon	60,500	69,575
Boyd	59,200	68,080	Madison	79,080	92,260
Bracken	93,960	109,620	Marshall	59,600	68,540
Bullitt	71,500	82,225	McCracken	60,800	69,920
Caldwell	59,200	68,080	McLean	74,760	87,220
Calloway	59,200	68,080	Meade	60,500	69,575
Campbell	78,300	90,045	Mercer	59,200	68,080
Christian	59,200	68,080	Muhlenberg	59,200	68,080
Clark	84,120	98,140	Nelson	74,520	86,940
Daviess	62,300	71,645	Oldham	71,500	82,225
Fayette	70,100	80,615	Pendleton	93,960	109,620
Franklin	65,200	74,980	Scott	84,120	98,140
Gallatin	93,960	109,620	Shelby	75,200	86,480
Graves	59,200	68,080	Simpson	59,200	68,080
Greenup	59,200	68,080	Spencer	85,800	100,100
Hancock	62,300	70,725	Taylor	59,200	68,080
Hardin	61,500	72,220	Trigg	59,200	68,080
Henderson	65,100	74,865	Trimble	85,800	100,100
Henry	85,800	100,100	Union	59,200	68,080
Jefferson	71,500	82,225	Warren	59,200	68,080
Jessamine	70,100	80,615	Woodford	70,100	80,615

**For all other counties not listed above:                      \$71,040 (1 or 2 person)                      \$82,880 (3 or more person)**





### County Income Limits for Duty to Serve Initiative (DTS)

County Name	AMI
Adair	49400
Ballard	55800
Bath	49400
Bell	49400
Boyd	54900
Breathitt	49400
Caldwell	54700
Calloway	56700
Carlisle	52500
Carter	49400
Casey	49400
Christian	55400
Clark	70100
Clay	49400
Clinton	49400
Crittenden	54400
Cumberland	49400
Edmonson	57400
Elliott	49400
Estill	49400
Fleming	49400
Floyd	49400
Fulton	49400
Garrard	55700
Graves	54800

County Name	AMI
Green	49400
Greenup	54900
Harlan	49400
Hart	49400
Henderson	65100
Hickman	51300
Hopkins	58500
Jackson	49400
Johnson	49400
Knott	49400
Knox	49400
Laurel	49400
Lawrence	49400
Lee	49400
Leslie	49400
Letcher	49400
Lewis	49400
Lincoln	49400
Livingston	53400
Lyon	60500
Madison	65900
Magoffin	49400
Marshall	59600
Martin	49400
McCracken	69800

County Name	AMI
McCreary	49400
McLean	62300
Menifee	49400
Metcalfe	49400
Monroe	49400
Montgomery	49400
Morgan	49400
Muhlenberg	51100
Nicholas	49500
Owsley	49400
Perry	49400
Pike	49400
Powell	51700
Pulaski	49400
Robertson	50700
Rockcastle	49400
Rowan	53400
Russell	49400
Todd	52800
Trigg	55400
Union	51200
Wayne	49400
Webster	52800
Whitley	49400
Wolfe	49400