

September 30, 2016

Secondary Market Programs

KHC Program Guide Secondary Market Programs 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%.

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

Conventional No MI Program --- *HFA Preferred Risk Sharing*
Conventional With MI Program --- *HFA Preferred*

PARAMETER	Conventional No MI Program	Conventional With MI Program
Loan Terms	30-Year, Fixed Interest Rate	
Eligible Occupancy	Owner Occupied	
Eligible Purpose	Purchase	
Eligible Property Types	One-unit dwellings or approved condominiums	
Ineligible Property Types	Manufactured housing or co-ops	
Down Payment of 3%	Borrower's Funds, Gift, KHC DAPs, or Welcome Home Monies	
Maximum LTV/CLTV	97/105%	
Minimum LTV	81%	
Minimum Credit Score	680	
Ratio Guidelines	40/45%	
Borrower Contribution/Reserves	None	
Income Limit	KHC's Secondary Market Income Limits	
Manual Underwriting	Not Permitted	
Maximum Seller Contributions	3% for CLTV > 90% and 6% for CLTV < or = 90%	
Other Real Estate Property	Can own other real estate property including manufactured housing at time of closing—follow Fannie Mae guidelines	
Subordinate Financing <small>***if property is a KHC REO, none of KHC's DAPs can be used***</small>	Community Seconds per Fannie Mae Guidelines, All KHC DAPS Applicable. Special Feature Code 118 Community Seconds	
Home Buyer Education <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	
Documentation	Most Recent Year Tax Transcripts 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).	
Mortgage Insurance <i>KHC will order ALL MI for TPO Lenders See page 6-7 for specific guidelines</i>	None Required	Required – Charter Coverage 97% - 95.01% 18% 95% - 90.01% 16% 90% - 85.01% 12% 85% - 81.00% 6%
KHC Approved MI Companies	N/A	Arch, Essent, Genworth, MGIC, Radian & United Guaranty
Desktop Underwriter (DU) Only allowable AUS system <i>Must receive an Approved/Eligible recommendation</i>	In the "ADDITIONAL DATA" screen, select "HFA PREFERRED RISK SHARING" Special Feature Code: 820	In the "ADDITIONAL DATA" screen, select "HFA PREFERRED" 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. UG has additional restrictions when a DAP is used.

**KHC's Secondary Market
Purchase Programs
30-Year Loan Term**

Federal Housing Administration (FHA)

- Minimum **640** 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 40/45 with AUS approve/eligible, accept/accept through TOTAL
- Verbal VOE for salaried borrower(s) within 10 business days prior to note date

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

LTV less than or equal to 95%	1.75% UFMIP .80 Annual
LTV greater than 95%	1.75% UFMIP .85 Annual

Rural Housing Services (RHS)

- Minimum **640** 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%/45%
- 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 **640** 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 40/45% with AUS Approval

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

Effective with Case Numbers as of September 14, 2015

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 40/45% 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 No maximum CLTV	97.75% LTV/CLTV	97.75% LTV/CLTV 85% LTV/CLTV if borrower has owned or occupied the property as their principal residence for less than 12 months
Minimum Credit Score	640		
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	Per Agency Guidelines Principal Balance and New UFMIP	Per Agency Guidelines No second liens included	Per Agency Guidelines Can possibly include any purchase money second liens or junior liens over 12 months old
Up Front Mortgage Insurance Premium	1.75%		
Annual Mortgage Insurance Premium	LTV > 95%: .85 basis points LTV < or = to 95%: .80 basis points		

Single Family Streamline refinance transactions that are refinancing FHA loans endorsed *on or before May 31, 2009*, 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.

KHC can subordinate a DAP when refinancing the first mortgage back through KHC

**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 640 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 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 **\$105** 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**
 - Mortgage and Assignment (only for Correspondent and Delegated Lenders)

Delegated and Correspondent Lenders

- MUST fund ALL DAPs
- **HHF DAP will close in KHC's name**
- Regular and Affordable DAP closes in 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.
- 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 resident alien.
- **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 Conventional Preferred Product

KHC allows Charter Coverage for the 97% Conventional Product with Mortgage Insurance. 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 Product.

Arch

Essent

Genworth: Simply Underwrite

MGIC: MGIC Go!

Radian: One Underwrite

United Guaranty: Full File Underwriting – UG has additional restrictions when a DAP is used. Borrower must contribute the lesser of 1% or \$1,000, maximum DTI ratio 41%, and reserves of 2 months PITI.

Borrower must meet BOTH KHC and MI Company guidelines.

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
- 640 minimum credit score required for FHA, VA and RHS
- 680 minimum credit score required for Conventional and must receive an Approve/Eligible recommendation from DU through HFA Preferred Risk Program for *Conventional No MI Program* or *Conventional with MI* must receive an Approve/Eligible recommendation from DU through the Preferred Program.
- AUS approval (DU or LP) required for FHA Rate/Term Refinance Program, FHA and VA Purchase Program.
 - KHC will accept GUS findings for RHS Purchases.
 - FHA Streamline and Simple Refinance – must not use AUS.
- Maximum debt ratios allowed are 40/45, 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

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.
- TPO lenders will pay for this service at time of the initial request with a credit card. Due to MDIA regulations the lender must pay for this and not the borrower.
- 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. 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 the appraisals will be \$450 for FHA & RHS and \$410 for Conventional loans. Final Inspections \$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. 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 \$283,900**

- 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.
- 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.

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 640 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 and fund 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:**
 - 1-15 days for .25% fee
 - 16-30 days for .50% fee (total for 30-days extension)
- Once the loan has reached the 30-day extension period the lender will be required to relock the loan based on the higher of the original interest rate or market rate for 45 days with no additional fees.
- 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 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 No MI or With MI Product**
 - ✓ Contact KHC if sponsorship is needed for DU access
 - ✓ No stated income allowed.
 - ✓ Must have full appraisal
- KHC requires AUS approval on all FHA, VA and Conventional loans.
- 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, 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 1st – 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 pend conditions or with underwriting file.

If lender leaves out a document during the upload process then send this document to 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 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 obtain most recent year of tax transcripts on all borrowers and 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.

Conventional Fannie Mae Requirements for Third Party Originator Lenders

TPO's will be required to obtain most recent year of tax transcripts prior to underwriting. Verification of employment on all borrowers must be done 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.

KHC's Home Buyer Tax Credit (MCC)

- Mortgage Credit Certificates (MCCs) allow home buyers to convert **25 percent** of their mortgage interest deduction to a "Life of Loan" tax credit. (Not to exceed \$2,000 each year.) Borrower is allowed to carry forward any unused credit for 3 years.
- The tax credit is available each year for the life of the original loan (refinances are not eligible for an MCC).
- MCCs are assumable.
- Home buyers must meet MRB Guidelines, such as income and purchase price, and must be a first-time home buyer unless the home is in a targeted county.
- MCCs may be used with KHC's Secondary Market Program,
- MCCs cannot be used with KHC's MRB Program.
- MCCs may be used with other investor's first mortgage loan programs such as FHA, VA, RHS, Fannie Mae, or Freddie Mac Programs (30 – year fixed rate mortgages only).
- Refinancing of construction loans, bridge loans, or other temporary financing is eligible.
- The cost is \$500 however, if the borrower obtains a KHC Secondary Market loan, the cost is only \$200!
- Delegated Lenders may charge a **\$225** MCC review fee.
- The \$200 MCC underwriting fee (KHC Secondary Market) or \$500 MCC underwriting fee (other investor) will still be charged and come to KHC. Fee must be shown on Loan Estimate.
- Borrowers claim the MCC with their annual tax return by using Form 8396.
- The borrower may adjust their withholding (Form-W-4) to reflect the anticipated credit -- increasing their take home pay.
- The anticipated credit may be used to help qualify the borrower.
 - *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*
- KHC will allow the anticipated credit to be used for qualifying as long as the lender has an AUS Approval.
- The borrower who obtains an MCC can still claim 75% of their total year mortgage interest as a tax deduction.
- Both new and existing residence with max purchase price of **\$255,500** eligible. Must be borrower's primary residence within 60 days of closing. Cannot own any other real estate at closing.
- Eligible properties include single-family residences, manufactured housing, 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. Changes that occur after closing do not affect program eligibility. Such changes could affect recapture tax.
- The recapture tax applies to all MCC holders. The Recapture Tax Reimbursement Program through KHC's MRB Program does **NOT** apply to the MCC Program. Generally, all of the following events must occur to trigger the recapture tax:
 - The residence is sold within the first nine years of the closing date, **AND**
 - The MCC holder realizes a net gain on the sale of the residence, **AND**

- The MCC holder's income has significantly increased since the closing date and exceeds the limits established by the IRS.
- Any lender can become an approved MCC lender by signing up with KHC and paying a one-time fee of \$750.
- Approved MCC lenders that are delegated can approve the MCC without submitting the MCC package to KHC.
- **When a borrower refinances and has an existing MCC:** Must complete an application to request a reissuance of a MCC. KHC charges a \$100 fee. Need a copy of the new Note and Closing Disclosure.

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

**The interest rate and payment information includes the estimated effects of the tax credit.

Second Mortgage Products Down Payment Assistance Program (DAP) Guidelines 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 Income (Household Income)
Eligible Properties	<u>New and Existing Properties</u> <u>Located in</u> Christian, Hardin, Jefferson, or Kenton Counties	New and Existing Properties	
Eligible Borrowers	First-time Home Buyers (No ownership interest in the last 3 years) Most recent last three years federal tax returns required	First-time and Repeat Home Buyers	
Amount	\$10,000 Not required to be at maximum LTV first mortgage amount	Up to \$6,000 Must go maximum allowed LTV on first mortgage amount	Up to \$4,500 Must go maximum allowed LTV on first mortgage amount
Terms	0% Forgivable, second mortgage over a five-year term	5.50% amortized over 10 years	1% amortized over 10 years
Purchase Price Limit	\$283,900		
AUS	Enter as Subordinate Financing AUS Approval required		
Home Buyer Education	All 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 40/45%	Borrower must qualify with additional monthly payment. With AUS approval, can go up to 40/45%	
Required Repairs	Buyer or seller may use OWN 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-- \$50 Document Preparation Fee to closing agent and \$26 (estimated) Recording Fee **Delegated/Correspondent add \$13 for assignment	

HHF DAP is available on a first-come, first-served basis.

When utilizing Regular or Affordable DAP with the Conventional Product, if unable to get a DU Approve/Eligible at a 97% LTV with DAP, then you may lower first mortgage down to 95% LTV.

**KENTUCKY HOUSING CORPORATION
2016 SECONDARY MARKET
GROSS ANNUAL APPLICANT'S INCOME LIMITATIONS
Effective May 31, 2016**

Secondary Market Purchase Price Limit -- \$283,900

County	Income Limits	County	Income Limits
Anderson	116,375	Jefferson	117,250
Ballard	101,325	Jessamine	115,675
Boone	123,725	Kenton	123,725
Bourbon	115,675	Larue	106,750
Bracken	123,725	Lyon	99,050
Bullitt	117,250	Madison	100,275
Calloway	101,850	McLean	103,950
Campbell	123,725	Mercer	105,175
Christian	100,275	Nelson	98,350
Clark	115,675	Oldham	117,250
Daviess	103,950	Owen	108,325
Edmonson	105,350	Pendleton	123,725
Fayette	115,675	Scott	115,675
Franklin	105,175	Shelby	125,825
Gallatin	123,725	Spencer	117,250
Garrard	99,050	Trigg	100,275
Hancock	103,950	Trimble	117,250
Hardin	106,750	Warren	105,350
Henderson	107,450	Woodford	115,675
Henry	117,250		

Applicant's Income Limit for all other counties not listed above: \$98,175

The income limitations listed above are imposed by state law.

**2016 GROSS ANNUAL HOUSEHOLD
AFFORDABLE DAP INCOME LIMITS
Effective May 31, 2016**

Purchase Price Limit for AFFORDABLE DAP– Secondary Market Funding: \$283,900 MRB Funding: \$255,500

Counties	Person(s)	(1)	(2)	(3)	(4 or more)
Bath, Bell, Breathitt, Carter, Casey, Clay, Clinton, Cumberland, Elliott, Estill, Floyd, Fulton, Grayson, Green, Harlan, Hart, Jackson, Johnson, Knott, Knox, Laurel, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Magoffin, Martin, McCreary, Menifee, Metcalfe, Monroe, Morgan, Muhlenberg, Ohio, Owsley, Perry, Pike, Powell, Pulaski, Rockcastle, Russell, Wayne, Whitley, and Wolfe		26,000	29,700	33,400	37,100
Bullitt, Henry, Jefferson, Oldham, Spencer, and Trimble		37,550	42,900	48,250	53,600
Bourbon, Clark, Fayette, Jessamine, Scott, and Woodford		37,050	42,350	47,650	52,900
Boone, Bracken, Campbell, Gallatin, Kenton, and Pendleton		39,600	45,250	50,900	56,550

Other Counties

Person(s)	(1)	(2)	(3)	(4 or more)	Person(s)	(1)	(2)	(3)	(4 or more)
Adair	26,150	29,900	33,650	37,350	Hopkins	29,700	33,950	38,200	42,400
Allen	28,350	32,400	36,450	40,450	Larue	34,200	39,050	43,950	48,800
Anderson	37,250	42,600	47,900	53,200	Livingston	27,100	30,950	34,800	38,650
Ballard	32,250	36,850	41,450	46,050	Logan	27,250	31,150	35,050	38,900
Barren	29,500	33,700	37,900	42,100	Lyon	31,750	36,250	40,800	45,300
Boyd	30,700	35,100	39,500	43,850	Madison	32,100	36,700	41,300	45,850
Boyle	28,600	32,650	36,750	40,800	Marion	27,250	31,150	35,050	38,900
Breckinridge	26,950	30,800	34,650	38,500	Marshall	31,750	36,250	40,800	45,300
Butler	26,050	29,800	33,500	37,200	Mason	27,900	31,900	35,900	39,850
Caldwell	27,900	31,900	35,900	39,850	McCracken	32,150	36,750	41,350	45,900
Calloway	32,600	37,250	41,900	46,550	McLean	33,250	38,000	42,750	47,500
Carlisle	27,400	31,300	35,200	39,100	Meade	29,050	33,200	37,350	41,500
Carroll	27,000	30,850	34,700	38,550	Mercer	33,700	38,500	43,300	48,100
Christian	30,200	34,500	38,800	43,100	Montgomery	26,150	29,850	33,600	37,300
Crittenden	27,750	31,700	35,650	39,600	Nelson	31,500	36,000	40,500	44,950
Daviess	33,250	38,000	42,750	47,500	Nicholas	27,650	31,600	35,550	39,500
Edmonson	33,750	38,550	43,350	48,150	Owen	34,650	39,600	44,550	49,500
Fleming	26,350	30,100	33,850	37,600	Robertson	28,600	32,650	36,750	40,800
Franklin	33,700	38,500	43,300	48,100	Rowan	27,100	30,950	34,800	38,650
Garrard	31,750	36,250	40,800	45,300	Shelby	40,250	46,000	51,750	57,500
Grant	31,050	35,450	39,900	44,300	Simpson	28,750	32,850	36,950	41,050
Graves	29,150	33,300	37,450	41,600	Taylor	26,600	30,400	34,200	38,000
Greenup	30,700	35,100	39,500	43,850	Todd	29,050	33,200	37,350	41,500
Hancock	33,250	38,000	42,750	47,500	Trigg	30,200	34,500	38,800	43,100
Hardin	34,200	39,050	43,950	48,800	Union	26,900	30,750	34,600	38,400
Harrison	29,400	33,600	37,800	42,000	Warren	33,750	38,550	43,350	48,150
Henderson	34,400	39,300	44,200	49,100	Washington	27,950	31,950	35,950	39,900
Hickman	29,800	34,050	38,300	42,550	Webster	33,800	38,600	43,450	48,250

**KENTUCKY HOUSING CORPORATION HOME BUYER TAX CREDIT
2016 GROSS ANNUAL HOUSEHOLD INCOME LIMITS
Effective May 31, 2016**

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: MRB/Home Buyer Tax Credit (Purchase Price Limit – \$255,500)

Person(s) per household	(1 or 2)	(3 or more)	Person(s) per household	(1 or 2)	(3 or more)
Anderson	66,500	76,475	Kenton	70,700	81,305
Ballard	58,513	67,290	Larue	73,200	85,400
Barren	59,513	68,440	Laurel	56,100	64,960
Boone	70,700	81,305	Livingston	57,960	67,620
Bourbon	79,320	92,540	Lyon	58,713	67,520
Boyd	59,073	67,934	Madison	68,760	80,220
Bracken	84,840	98,980	Marshall	58,713	67,520
Bullitt	67,000	77,050	McCracken	58,553	67,336
Caldwell	59,760	69,084	McLean	71,280	83,160
Calloway	58,393	67,152	Meade	59,653	68,601
Campbell	70,700	81,305	Mercer	60,100	69,115
Christian	59,253	68,141	Muhlenberg	56,100	64,960
Clark	79,320	92,540	Nelson	67,440	78,680
Daviess	59,400	68,310	Oldham	67,000	77,050
Edmonson	72,240	84,280	Owen	74,280	86,660
Fayette	66,100	76,015	Pendleton	84,840	98,980
Franklin	60,100	69,115	Scott	79,320	92,540
Gallatin	84,840	98,980	Shelby	71,900	82,685
Garrard	67,920	79,240	Simpson	59,773	68,739
Graves	59,633	68,578	Spencer	80,400	93,800
Greenup	59,073	67,934	Taylor	57,000	66,500
Hancock	59,400	68,310	Trigg	59,253	68,141
Hardin	61,000	70,150	Trimble	80,400	93,800
Henderson	61,400	70,610	Union	57,600	67,200
Henry	80,400	93,800	Warren	60,200	69,230
Jefferson	67,000	77,050	Webster	72,360	84,420
Jessamine	66,100	76,015	Woodford	66,100	76,015
For all other counties not listed above:	\$67,320 (1 or 2 persons)		\$78,540 (3 or more persons)		