

SECONDARY MARKET PROGRAMS

KHC PROGRAM GUIDE - FEBRUARY 1, 2010



Kentucky Housing
Corporation
Leading the way home...

KHC Program Guide Secondary Market Programs February 1, 2010

CHANGES/ADDITIONS

- **Welcome Back Regular DAP!!** First Home Advantage Down Payment Assistance Program (DAP) ends Sunday, January 31, 2010. Beginning with reservations on Monday, February 1, 2010, Regular DAP returns. The terms are on page 2 of this guide.
- **For your convenience!!** Beginning February 1, 2010, KHC will offer a Regular DAP Good Faith Estimate tool for lenders under **Loan Connection Services!**
- KHC's Regular DAP's fees have changed. Beginning with reservations on Monday, February 1, 2010, lenders will no longer charge a \$50 application/processing fee. The only fees charged will be a \$50 Document Prep Fee (**BLOCK 4**) for the closing agent, actual Recording Fees (**BLOCK 7**), and Odd Days Interest (**BLOCK 10**).



KHC's Secondary Market My Community Mortgage Conventional Loan Programs

Program	KHC 97										
DU Approval Required (DU ONLY)	Yes										
Expanded ratios of 40/45 only with DU approval	When submitting loans through DU, <u>MUST</u> choose My Community Mortgage										
LTV / CLTV	80.01-97 (103 CLTV)										
Minimum Credit Score Requirement	660 for LTV less than 80% 680 for LTV greater than or equal to 80% **subject to LTV and MI Guidelines** **All MI Companies require 3 open, active accounts with 12 month histories**										
Acceptable Sources of Down Payment	KHC Regular DAP, borrower's assets, gift, FHLB funds or other secondary financing approved by KHC										
Mortgage Insurance Coverage Approved Companies: United Guaranty/Genworth up to 45% MGIC/ RMIC up to 41% See attached link to KHC MI Guidelines, also found on Lender Resources page of Web site. See attached link on each company, as rates vary.	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-decoration: underline;">LTV</th> <th style="text-decoration: underline;">Coverage</th> </tr> </thead> <tbody> <tr> <td>97-95.01%</td> <td>18.00%</td> </tr> <tr> <td>95-90.01%</td> <td>16.00%</td> </tr> <tr> <td>90-85.01%</td> <td>12.00%</td> </tr> <tr> <td>85-80.01%</td> <td>6.00%</td> </tr> </tbody> </table> <p style="text-align: center;">*Genworth and MGIC will insure up to 103 CLTV.</p>	LTV	Coverage	97-95.01%	18.00%	95-90.01%	16.00%	90-85.01%	12.00%	85-80.01%	6.00%
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Other	<ul style="list-style-type: none"> Home buyer education required on ALL Conventional loan purchases. May use online MI systems. LTV/CLTV and MI rates will be different if identified as a declining market by appraiser, MI Company, or automated system. Seller Concessions – 3% for > 90.01; 6% for 75.01-90.00; 9 % for < 75% LTV. Manufactured homes are not eligible. 										

KHC's Regular DAP Reservations as of February 1, 2010

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| <ul style="list-style-type: none"> Eligible Applicants – Households whose gross annual income does not exceed KHC's regular income guidelines and who are utilizing a KHC loan. Eligible Properties – New and existing properties with a maximum purchase price of \$258,000. DAP Loan Amount – up to \$4,500 in \$100 increments; \$1,000 minimum. Must go maximum on first mortgage amount. Interest Rate – 6%. Terms – Loan is repaid over a ten-year term. Ratios – Ratios 29%/41; if AUS approved, ratios can go 40%/45%. May gross up non-taxable income to help qualify for loan. | <ul style="list-style-type: none"> Forms <ul style="list-style-type: none"> ✓ DAP GFE and TIL must be on separate form from the first mortgage GFE and TIL. Tool to create the GFE is available under Loan Connection Services. ✓ DAP fees: \$50 document prep to closing agent. Recording fees – actual recording cost. ✓ KHC provides note and mortgage in closing documents set. Other <ul style="list-style-type: none"> ✓ Buyer or seller may use own funds to pay for repairs and payoff existing debt; DAP funds may not be used. |
|---|---|

My Community Mortgage Limited Cash-Out Refinance per Fannie Mae Selling Guide

- LCOR may consist of the following: Unpaid principal balance of the existing first lien, closing costs, prepaids, points, any subordinate liens if documented the entire proceeds were used to acquire the property. Cash back to the borrower is the lesser of 2% of the new loan amount balance or \$2,000.
- Maximum LTV/CLTV is 95% with DU (Fannie Mae) approval. MGIC will insure up to 103 CLTV.
- Value not to exceed \$316,000.
- MI coverage based on rates listed above.
- Minimum credit score 660. **Subject to LTV and MI Guidelines**
- Maximum ratios 40%/45% with DU approval. **Subject to MI Guidelines**
- No new second mortgage loans allowed.
- Manufactured housing not eligible for this product.
- DU (My Community Mortgage) *Approve/Eligible* is required.
- LTV/CLTV and MI rates will be different if identified as a declining market by appraiser, MI Company, or automated system.

First Mortgage Term and Rate

- **Term** – Fixed for 30 years.
- **Rate** – Subject to change without notice. KHC may suspend reservation system at any time. Rate is updated each morning. Review rate on KHC's Web site at: <http://www.kyhousing.org/page.aspx?id=565>.

Reservation of Funds

- Reservations for first and second mortgage loans should be made through KHC's Web site at: <http://www.kyhousing.org/Default.aspx>.
- New and Existing Property – **45-day term**.
- Must have property identified.
- Each buyer may have only one current reservation.
- Refinances must close and disburse within the 45-day reservation period.
- A second reservation may not be issued for any applicant unless initial reservation has been expired or canceled for 30 days or the borrower has changed property.
- **Reservation Changes** – Lenders must contact KHC to make changes to the reservation. Any changes that affect rate must be approved by KHC on a case-by-case basis and may result in a higher rate.
- **Property Change** – If the borrower changes property, a new reservation must be obtained using current day's pricing.
- **Extensions for Purchases Only – If reservation has not expired**, lender may be allowed to extend the reservation for 5 days for \$150 on a case-by-case basis. If buyer pays extension fee, KHC will consider this to be a "changed circumstance" and will require a revised GFE showing the fee in "Our Origination Charge" section.
- **Reinstatement of Reservation – If the reservation has been expired or canceled less than 30 days**, lender will receive the higher of the current market rate or the original rate for an additional 30 days.

Lender Relationships

Any lender utilizing KHC's Secondary Market programs **MUST** be approved to do Kentucky Housing Mortgage Revenue Bond (MRB) programs.

Lender Compensation

KHC will allow lender to charge customary and reasonable fees, such as origination point, wire fee, processing fee or normal industry standard fees, etc. (shown in Block 1 "Our Origination Charge") to the borrower or seller. Total lender compensation paid from home buyer and seller cannot exceed the limits set forth by the Kentucky Department of Financial Institutions.

KHC will provide 1% borrower credit.

Additional Fees

- **Underwriting Fee:** A \$385 Underwriting Fee will be withheld from funds requested by the lender to close the loan. If lender is a Kentucky Housing-approved delegated lender, they will receive the compensation. Must be included in **block 1**, "Our Origination Charge."
- **Tax Service Fee:** \$75, as of January 1, is withheld from funds requested by lender to close loan. **Disclosed in block 3.**

Level II Lenders – KHC will charge \$500 closing fee charge to be reflected in **block 1**, "Our Origination Charge."

Level III Lenders – Charge 2% Origination charge in **block 1**. KHC will retain 1% from funding and will charge \$500 processing fee.

KHC Second Mortgage Fees must be listed on a separate GFE, TIL, and HUD-1. The following fees are effective with reservations on or after February 1, 2010.

- **DAP Document Preparation Fee** to the closing agent – \$50 (block 4).
- **DAP Recording Fees (block 7)** – actual cost.
- **DAP Odd Days Interest** – block 10.

Home Buyer Eligibility

- Must be U.S. citizen or resident alien.
- Gross annual income must be within applicable limits in effect. Note: income limits are updated annually.
- Income is determined by using the gross annual income of the mortgagor(s).

Gross Annual Income Limitation

Gross annual income for compliance is the sum of the total anticipated income from all sources received by the applicants during the 12-month period commencing with the date of initial occupancy (closing). Loans must meet FNMA guidelines. Non-borrowing occupant's income will not be considered. See Kentucky Housing's income calculator <http://www.kyhousing.org/page.aspx?id=520>.

Credit Standards

- FNMA DU *Approve/Eligible* is required.
- Maximum debt ratios allowed are 40/45.
- Minimum credit score of 660 required.
- **Credit scores, LTV, and ratios are subject to MI Guidelines.**
- Collections – DU findings to be followed.
- Bankruptcies must be discharged for five years, according to FNMA and DU findings.
- Foreclosures must be discharged for at least 5 years according to guidelines.
- Nontaxable income - can gross-up 25%.
- Maximum age for credit documents is being reduced from 120 days to 90 days for existing construction and from 180 days to 120 days for new construction.
- IRS Form 4506-T is required to be executed by the borrower at the time of application and closing.
- Verbal Verification of Employment (VOE) is now required within ten calendar days from the note date.

Property Eligibility

Residence – owner-occupied, one-unit, single-family dwelling (attached or detached) located in Kentucky. Both new and existing properties are eligible.

- Purchase price limit and property value not to exceed the maximum Safe Harbor Limit for Kentucky, **\$316,000**. Purchase price limits are updated annually.
- Manufactured homes are not eligible for Secondary Market programs.

New Construction

Loans will require a final inspection by the appraiser only if house was not 100% complete at time of appraisal.

Condominiums

Condominium or planned unit developments must follow FNMA guidelines (www.efannie.com). Please review Kentucky Housing's condo listing on the Web. This list is to determine if additional interior insurance coverage is required. This does not warrant that the condo is approved by FNMA or Kentucky Housing. 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.

Assumability

Secondary market loans are NOT assumable.

Loans Submission Checklists

All loans **must** be submitted with the appropriate Underwriting Checklist. The Underwriting Checklist is a customized document that will be printed from Kentucky Housing's Web site after reservation is made.

Underwriting

- Prior to closing, Kentucky Housing Corporation or its delegated underwriter must still approve all loans approved by FNMA DU.
 - ✓ KHC will accept limited documentation required by DU with a few exceptions.
 - ✓ No stated income allowed.
 - ✓ Must have full appraisal.
- For second mortgage loans with purchases, the second mortgage loan amount must be shown as subordinate financing in DU. Beginning with applications on or after January 1, 2010, KHC's Regular DAP must be disclosed on a separate GFE and HUD-1 Settlement Statement.
- **Must** identify "My Community Mortgage" as the product type for all Conventional loan submissions. Any additional fees charged to Kentucky Housing by Fannie Mae as a result of errors made by the lender will be billed to the lender for reimbursement.

Loan Review Process

Kentucky Housing Corporation will attempt to review the file within two business days of receipt. Kentucky Housing will notify the lender of loan approval, pended loan, or rejection status by email to the e-mail address that was identified by the lender at the time of reservation.

- The e-mail will identify borrower's name and status of loan.

Approvals, rejections, and listings of pended items can be printed from the Web site.

All conditions of loan approval must be met prior to or at closing

KHC Appraisal Ordering System

KHC has developed an appraisal ordering system to comply with the requirements of HVCC. The appraisal ordering system must be used for all conventional appraisal requests from lenders who are not approved Fannie Mae Seller/Serviceers.

Lenders who request an appraisal from KHC must complete an appraisal request form and fax to KHC or e-mail it to khcappraisal@kyhousing.org along with a copy of the fully-executed sales contract with all addendums. KHC will randomly select an appraiser based upon the property location and the appraiser's service area.

Once the appraisal has been completed, KHC will forward a copy of the invoice to the lender. The appraisal and any applicable final inspection fees will be paid at closing on the HUD-1 Settlement Statement. The originating lender will be responsible for paying the appraisal cost in the event a loan does not close.

KHC has established the following fees for all appraisal requests.

- Conventional Appraisal Fee: \$325
- Final Inspection (if required): \$75

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.

KENTUCKY HOUSING CORPORATION
2009 GROSS ANNUAL HOUSEHOLD INCOME LIMITS
 Effective March 19, 2009

The income limitations listed below are imposed by state law.

Secondary Market Programs Purchase Price Limit – \$316,000

Person(s) per household	(1 or 2)	(3 or more)	Person(s) per household	(1 or 2)	(3 or more)
Anderson	64,200	73,830	Jefferson	61,500	70,725
Ballard	53,300	61,295	Jessamine	65,000	74,750
Barren	52,800	60,720	Kenton	69,200	79,580
Boone	69,200	79,580	Larue	66,240	77,280
Bourbon	78,000	91,000	Laurel	52,800	60,720
Boyd	52,800	60,720	Livingston	52,800	60,720
Boyle	66,120	77,140	Lyon	52,800	60,720
Bracken	83,040	96,880	Madison	69,960	81,620
Bullitt	61,500	70,725	Marshall	56,300	64,745
Caldwell	52,800	60,720	McCracken	54,600	62,790
Calloway	52,800	60,720	McLean	66,600	77,700
Campbell	69,200	79,580	Meade	52,800	60,720
Carroll	68,160	79,520	Mercer	55,600	63,940
Christian	52,900	60,835	Muhlenberg	52,800	60,720
Clark	78,000	91,000	Nelson	69,000	80,500
Daviess	55,500	63,825	Oldham	61,500	70,725
Edmonson	65,520	76,440	Pendleton	83,040	96,880
Fayette	65,000	74,750	Scott	78,000	91,000
Franklin	64,500	74,175	Shelby	67,900	78,085
Gallatin	83,040	96,880	Simpson	54,900	63,135
Garrard	63,840	74,480	Spencer	73,800	86,100
Grant	65,880	76,860	Taylor	52,800	60,720
Graves	52,800	60,720	Trigg	52,900	60,835
Greenup	52,800	60,720	Trimble	73,800	86,100
Hancock	55,500	63,825	Union	55,600	63,940
Hardin	55,200	63,480	Warren	54,600	62,790
Harrison	65,040	75,880	Webster	73,080	85,260
Henderson	60,900	70,035	Woodford	65,000	74,750
Henry	73,800	86,100			

For all other counties not listed above: 63,360 (1 or 2 persons) or 73,920 (3 or more persons).

