

KENTUCKY HOUSING CORPORATION

Closing Agent Manual

Policies and Procedures When Closing KHC
Mortgages Originated by Third Party Originators

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INTRODUCTION

With the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the formation of the Consumer Financial Protection Bureau (the “CFPB”), the mortgage industry is becoming increasingly regulated. In response to this increased regulation and the CFPB’s TILA/RESPA Integrated Disclosure Rules (“TRID”), Kentucky Housing Corporation (“KHC”) has promulgated this Closing Agent Manual (“Manual”) to govern, along with the Closing Agent Agreement (“Agreement”), the relationship between KHC and Closing Agents, who close loans originated by KHC’s Third Party Originators (“Settlement Services”). Prior to any Closing Agent performing Settlement Services, the Closing Agent shall have an executed Closing Agent Agreement with KHC and submit the required vendor management documentation to KHC. All Closing Agents are responsible for the information contained in this Manual and the Agreement. This Manual may be amended and/or revised from time-to-time in order to comply with any additional laws and/or regulations, which may be enacted, affecting the relationship between KHC and Closing Agents.

THIRD PARTY ORIGINATORS (TPOS)

TPOs are more commonly known as brokers. The minimum net worth requirement is lower than the other lender categories because the TPOs role is significantly diminished in comparison to the other lender categories. The TPO originates and processes the mortgage application but submits it to KHC to underwrite, close, fund, and perform the post-closing/quality assurance functions before the first payment is due. Loans originated by TPOs close in the name of KHC. As a result, KHC is responsible for hiring the Closing Agent for loans originated by TPOs.

INDUSTRY STANDARD DOCUMENTS

Closing Agents must have any and all necessary software to produce industry standard documents. Any such software system must be updated for any and all regulatory changes to ensure compliance with any and all requirements of state and federal law, including but not limited to the Real Estate Settlement Procedures Act (“RESPA”), the Truth-in-Lending Act (“TILA”) and the TILA/RESPA Integrated Disclosures (“TRID”).

FEES FOR SERVICE

For Settlement Services under the Agreement and this Manual, KHC shall compensate the Closing Agent so long as the fee charged for Settlement Services is customary and reasonable. The fee must also be properly disclosed to the TPO up front so it may be provided to the borrower on the Loan Estimate.

WORKFLOW

- 1) KHC Underwriting will approve the mortgage loan file for the TPO.
- 2) TPO will upload all required pre-closing documentation (i.e., title commitment, homeowner’s insurance, flood certification, Loan Estimate, Termite Report, if applicable, etc.) and will **tentatively** schedule the closing with the Closing Agent—remembering TRID timeline requirements. The TPO should also provide a draft Closing Disclosure (“CD”) from the Closing

Agent at this time, that includes estimates for pro-ration and any fees for Settlement Services and recordation.

- 3) KHC's closer will audit pre-closing documents and request any additional documentation as needed. Once all documents are cleared, KHC's closer will prepare a draft CD to send to the Closing Agent and TPO for approval.
- 4) Once all parties approve the draft CD, KHC's closer will finalize and send to the TPO and/or borrower for signature. The closer will also email the closing package to the Closing Agent, including any invoices to be paid.
- 5) The Closing Agent will prepare the Seller's CD.
- 6) Closing Agent will close on the TRID-compliant closing date, in accordance with KHC's closing instructions and schedule.
- 7) If any issues arise that could jeopardize the insurability of the mortgage loan, Closing Agent shall stop the closing and seek further written instructions from KHC prior to continuing the closing.
- 8) Once the loan is closed, Closing Agent shall disburse the appropriate funds to any applicable third parties (i.e. borrower, seller, real estate agents, etc.) **NOTE: if refinance, disburse funds in accordance with refinance guidelines – right of rescission.**
- 9) Closing Agent shall mail the original note(s) back to KHC and upload the entire closed loan package in the KHC Portal. See KHC Portal Section.

EMAIL

Closing Agent shall provide and maintain a valid email address for receiving closing documents, as well as, establish and maintain a user name and password to retrieve the encrypted email. Any and all changes to email addresses and email recipients must be provided to KHC in a timely manner. **BEST PRACTICE: KHC suggests an "in general" mailbox that multiple Closing Agent staff can access in case of absences in order to avoid KHC staff sending documents multiple times.**

CLOSING INSTRUCTIONS

KHC shall provide the Closing Agent with explicit closing instructions. The Closing Agent shall follow these instructions and shall not deviate therefrom. **Failure to follow any and all closing instructions shall result in the Closing Agent's suspension from closing KHC loans and/or termination of the Closing Agent Agreement.** Should the Closing Agent outsource the closing function, in part or in whole, to a third party, the Closing Agent shall be fully responsible for the performance and compliance of the third party.

CLOSING DOCUMENTS

KHC will send the closing documents to the Closing Agent via encrypted email. The Closing Agent is responsible for ensuring that all closing documents received via email are properly printed and otherwise handled in accordance with the requirements detailed in the Section of this Closing Manual

entitled, "Closing Documents". All documents sent to KHC by email must be encrypted in order to protect the borrower's identity. Closing Agent shall maintain email encryption capability. Any and all original promissory notes, mortgages, and title policies must be shipped by Closing Agent to KHC via overnight delivery.

Closing Agent shall exercise reasonable diligence in reviewing the form and content of any and all documents related to the closing of any mortgage loan, including without limitation any and all first mortgage loans and second mortgage loans, e.g. DAP loans, pursuant to the Closing Agent Agreement received from KHC ("Closing Documents"). Any and all documents related to the closing of any KHC mortgage loan must be approved by KHC, including without limitation any and all Power of Attorney forms for both seller and purchaser. Prior to loan consummation, Closing Agent shall inform KHC of any irregularities identified by Closing Agent in the closing documents and must resolve any such irregularities to KHC's satisfaction. Closing Agent shall not alter the Closing Documents without written authorization from KHC. Closing Agent shall be responsible for proper completion, execution, and notarization of the Closing Documents. **Upon completion of any and all KHC loan closings, Closing Agent shall upload through KHC's portal the executed Closing Documents to KHC. The original Note(s) must be sent to KHC via secured, overnight delivery. See KHC Contacts Section for all contact information and physical addresses for delivery.**

Closing Agent shall be responsible for any and all costs of remedying any and all deficiencies in the Closing Documents arising from or caused by the Closing Agent. Closing Agent shall promptly upon notification, and in no event later than 30 days following notification, correct any and all deficiencies in the proper completion, execution, and notarization of the Closing Documents.

Any and all funds received by Closing Agent from KHC must be held by Closing Agent in trust for KHC until disbursement in accordance with the Closing Instructions. Closing Agent shall notify KHC immediately if any condition included in the Closing Instructions is not met and funds are not disbursed as a result of such condition not being met, and the Closing Agent shall immediately return such funds in accordance with wiring instructions provided by KHC.

KHC Portal:

The Closing Agent's designated staff will have ids and passwords to access KHC's Lender Portal for the sole purpose of uploading the closed loan documents, including a copy of the note(s) and mortgage(s).

1. Click on Document Upload:

KHC Kentucky Housing Corporation
Investing in quality housing solutions.

Currently logged in as: jrice@kyhousing.o

KHC Website
Print Documents
Search Rate Locks by SSN
Document Upload
New Rate Lock (Lock)

Messages for Lenders:
This is a message that can be changed for the lenders. Use the "Update Lender Message" menu item to change this.

Currently reviewing:

2. Click Browse and select file to be uploaded. Enter KHC Reservation Number. In Document type, select TPO Closed Loan Package. Click Upload.
3. Mail original Note(s) only via overnight delivery.

CONDITIONS TO DISBURSEMENT

Closing Agent shall not disburse to any third party any funds received from KHC except upon satisfaction of any and all conditions to closing set forth in the Closing Instructions, including without limitation any and all conditions to the issuance of title insurance as specified in the Closing Instructions.

Any deviation from any standard set forth herein must be approved in advance by KHC in writing. However, the Closing Agent may, in good faith, rely upon a facsimile transmission or email message reasonably believed by Closing Agent to be an authorized communication from KHC. Such facsimile or email message must provide clear approval of the deviation from standards prior to such deviation being taken. If Closing Agent has questions or concerns regarding Closing Instructions, the Closing Agent shall contact KHC for clarification.

The following is a list of KHC's requirements for Title Commitments and Final Policies, in addition to industry standards.

- 1) Closing Agent must have a valid contract with a title insuring agency;
- 2) All Title Commitments must include property tax information and current assessed value of the property;
- 3) All Title Commitments must list KHC as the proposed insured and include MERS language (See Paragraph 5);
- 4) An insured closing protection letter must be required for each individual borrower with each title commitment signed by the Closing Agent.
- 5) All Final Title Policies must be original Short-Form Title Policies:
 - a. **Naming as the Insured:** "Kentucky Housing Corporation and Mortgage Electronic Registration Systems, Inc. solely as nominee for the Lender, its successors and assigns, as their interests may appear."
 - b. **Date of Policy:** "[Date of Closing] or date of recording of insured mortgage, whichever is later."
 - c. **Mortgage Recording:** If mortgage recording information is shown on the title policy, then all recordings of the mortgage must be listed.
- 6) ALTA Endorsements: All Title Policies must have the 8.1-06 Environmental Protection Lien Endorsement as well as any of the applicable choices:
 - a. 7-06 or 7.1-06 Endorsement for all manufactured homes,
 - b. 4-06 or 4.1-06 Endorsement for all condos,
 - c. 5-06 Endorsement for all PUDs.

- 7) All policy jackets must be included with final title policy. All pages of any final title policy must include executed signatures, where applicable, as well as, **ALL PAGES** of final title policy and **ALL schedules**.
- 8) All KHC first- and second-mortgage must be recorded within 30 days of the corresponding title commitment being issued for the mortgages;

Note: Although KHC strongly prefers the Closing Agent to write the Title Commitment and Final Policy, KHC will accept a third party title policy from the Third Party Originator with prior, written consent and provided the Third Party Originator is not under KHC suspension.

RECORDED DOCUMENTS & ORIGINAL TITLE POLICIES

Final security documents (i.e. recorded mortgage and/or any affidavit of mortgage amendments) and the original title insurance policies are due to KHC within 45 days of closing. Any and all mortgages are to be sent for recording within 7 days of closing. If any mortgage is not recorded within this time frame, KHC may request a title update at no cost to KHC. Closing Agent shall be responsible for any and all costs related to resolution of any title issues resulting from the mortgage being filed outside of the 7 day deadline, including without limitation any and all attorneys' fees.

E-SIGNATURE

Any and all e-signed documents provided to KHC by Closing Agent must be e-signed in conformance with any and all federal, state, and local laws and regulations governing e-signatures, as well as, any and all policies and procedures of the Federal Housing Administration ("FHA"), USDA's Rural Housing Service ("RHS"), U.S. Department of Veteran's Affairs ("VA"), and Fannie Mae. Notwithstanding anything contained herein to the contrary, Note(s) and Mortgage(s) created pursuant to this Agreement **SHALL NOT** be e-signed.

DEADLINES

Closed loan package uploaded in KHC's Portal:	Within 1 business day of closing
Original note(s) due to KHC:	Within 24 hours of closing date with closing package
Mortgage(s) must be sent for recording:	Within 7 calendar days of closing
Original Final Recorded Mortgage & Final Title Policy to KHC:	Within 45 calendar days of closing
Correction of Deficiencies to KHC:	Within 30 calendar days of notification

KHC CONTACTS

Questions regarding **TPO closings** should be directed to:
 Michele Byer at: mbyer@kyhousing.org or 502-564-7630 ext. 426 or email to closing@kyhousing.org.

KHC's Shipping Address for Original Note, Recorded Mortgage, and Final Title Policies:

Kentucky Housing Corporation
 Attn: Single-Family Closing & Quality Control Team
 1231 Louisville Road
 Frankfort, KY 40601