

**FOURTH AMENDMENT TO  
COMMITMENT TO PURCHASE FINANCIAL INSTRUMENT  
and  
HFA PARTICIPATION AGREEMENT**

This Fourth Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement (the “Fourth Amendment”) is entered into as of the date set forth on Schedule A attached hereto as the Fourth Amendment Date (the “Amendment Date”), by and among the United States Department of the Treasury (“Treasury”), the undersigned party designated as HFA whose description is set forth in Schedule A attached hereto (for convenience, a “state housing finance agency” or “HFA”) and the undersigned institution designated by HFA to participate in the program described below (“Eligible Entity”).

**Recitals**

WHEREAS, Treasury, HFA and Eligible Entity entered into that certain Commitment to Purchase Financial Instrument and HFA Participation Agreement (the “Original HPA”) dated as of the Closing Date, as previously amended by that certain First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement (the “First Amendment”), and as further amended by that certain Second Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement (the “Second Amendment”), and as further amended by that certain Third Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement (the “Third Amendment”; and together with the Original HPA as amended thereby and by the First Amendment and Second Amendment, the “Current HPA”), dated as of their respective dates as set forth on Schedule A attached hereto, in connection with Treasury’s federal housing program entitled the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (the “HHF Program”), which was established pursuant to the Emergency Economic Stabilization Act of 2008 (P.L. 110-343), as amended, as the same may be amended from time to time (“EESA”);

WHEREAS, HFA and Eligible Entity submitted a request to Treasury to make certain revisions to their Service Schedules and Treasury has agreed to the same;

WHEREAS, HFA, Eligible Entity and Treasury wish to enter into this Fourth Amendment to document all approved modifications to the Service Schedules;

Accordingly, in consideration of the representations, warranties, and mutual agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Treasury, HFA and Eligible Entity agree as follows.

**Agreement**

**1. Amendments**

A. Definitions. All references in the Current HPA to the “Agreement” shall mean the Current HPA, as further amended by this Fourth Amendment; and all references in the

Current HPA to Schedules A or B shall mean the Schedules A or B attached to this Fourth Amendment. All references herein to the “HPA” shall mean the Current HPA, as further amended by this Fourth Amendment.

B. Schedule A. Schedule A attached to the Current HPA is hereby deleted in its entirety and replaced with Schedule A attached to this Fourth Amendment.

C. Schedule B. Schedule B attached to the Current HPA is hereby deleted in its entirety and replaced with Schedule B attached to this Fourth Amendment.

## **2. Representations, Warranties and Covenants**

A. HFA and Eligible Entity. HFA and Eligible Entity, each for itself, make the following representations, warranties and covenants to Treasury and the truth and accuracy of such representations and warranties and compliance with and performance of such covenants are continuing obligations of HFA and Eligible Entity, each as to itself. In the event that any of the representations or warranties made herein cease to be true and correct or HFA or Eligible Entity breaches any of its covenants made herein, HFA or Eligible Entity, as the case may be, agrees to notify Treasury immediately and the same shall constitute an Event of Default under the HPA.

(1) HFA and Eligible Entity each hereby certifies, represents and warrants as of the date hereof that each of the representations and warranties of HFA or Eligible Entity, as applicable, contained in the HPA are true, correct, accurate and complete in all material respects as of the date hereof. All covenants of HFA or Eligible Entity, as applicable, contained in the HPA shall remain in full force and effect and neither HFA, nor Eligible Entity is in breach of any such covenant.

(2) Eligible Entity has the full corporate power and authority to enter into, execute, and deliver this Fourth Amendment and any other closing documentation delivered to Treasury in connection with this Fourth Amendment, and to perform its obligations hereunder and thereunder.

(3) HFA has the full legal power and authority to enter into, execute, and deliver this Fourth Amendment and any other closing documentation delivered to Treasury in connection with this Fourth Amendment, and to perform its obligations hereunder and thereunder.

## **3. Miscellaneous**

A. The recitals set forth at the beginning of this Fourth Amendment are true and accurate and are incorporated herein by this reference.

B. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the HPA.

C. Any provision of the HPA that is determined to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or

unenforceability without invalidating the remaining provisions of the HPA, and no such prohibition or unenforceability in any jurisdiction shall invalidate such provision in any other jurisdiction.

D. This Fourth Amendment may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile or electronic copies of this Fourth Amendment shall be treated as originals for all purposes.

[SIGNATURE PAGE FOLLOWS; REMAINDER OF PAGE  
INTENTIONALLY LEFT BLANK]

**In Witness Whereof**, HFA, Eligible Entity and Treasury by their duly authorized officials hereby execute and deliver this Fourth Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement as of the Amendment Date.

**HFA:**

KENTUCKY HOUSING CORPORATION

By: /s/ Richard L. McQuady  
Name: Richard L. McQuady  
Title: Chief Executive Officer

**TREASURY:**

UNITED STATES DEPARTMENT OF THE  
TREASURY

By: \_\_\_\_\_  
Name: Timothy G. Massad  
Title: Assistant Secretary for  
Financial Stability

**ELIGIBLE ENTITY:**

KENTUCKY HOUSING CORPORATION

By: /s/ Richard L. McQuady  
Name: Richard L. McQuady  
Title: Chief Executive Officer

**In Witness Whereof**, HFA, Eligible Entity and Treasury by their duly authorized officials hereby execute and deliver this Fourth Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement as of the Amendment Date.

**HFA:**

KENTUCKY HOUSING CORPORATION

By: \_\_\_\_\_

Name: Richard L. McQuady  
Title: Chief Executive Officer

**TREASURY:**

UNITED STATES DEPARTMENT OF THE  
TREASURY

By: \_\_\_\_\_



Name: Timothy G. Massad  
Title: Assistant Secretary for  
Financial Stability

**ELIGIBLE ENTITY:**

KENTUCKY HOUSING CORPORATION

By: \_\_\_\_\_

Name: Richard L. McQuady  
Title: Chief Executive Officer

## **EXHIBITS AND SCHEDULES**

Schedule A Basic Information  
Schedule B Service Schedules

**SCHEDULE A**  
**BASIC INFORMATION**

**Eligible Entity Information:**

Name of the Eligible Entity:	Kentucky Housing Corporation <sup>1</sup>
Corporate or other organizational form:	independent, <i>de jure</i> Municipal Corporation
Jurisdiction of organization:	Kentucky
Notice Information:	

**HFA Information:**

Name of HFA:	Kentucky Housing Corporation <sup>1</sup>
Organizational form:	independent, <i>de jure</i> Municipal Corporation
Date of Application:	September 1, 2010
Date of Action Plan:	September 1, 2010
Notice Information:	Same as notice information for Eligible Entity.

**Program Participation Cap:** \$148,901,875.00

**Portion of Program Participation Cap Representing Original HHF Funds:** N/A

**Portion of Program Participation Cap Representing Unemployment HHF Funds:** \$55,588,050.00

**Permitted Expenses:** \$15,351,875.00

---

<sup>1</sup> References in the Agreement to the term “HFA” shall mean the Kentucky Housing Corporation (“**KHC”**) in its capacity as HFA as such term is used in the Agreement; and references in the Agreement to the term “Eligible Entity” shall mean KHC, in its capacity as Eligible Entity as such term is used in the Agreement.

<u>Closing Date:</u>	September 23, 2010
<u>First Amendment Date:</u>	September 29, 2010
<u>Second Amendment Date:</u>	December 16, 2010
<u>Third Amendment Date:</u>	March 31, 2011
<u>Fourth Amendment Date:</u>	September 28, 2011
<u>Eligible Entity Depository Account Information:</u>	See account information set forth in the Depository Account Control Agreement between Treasury and Eligible Entity regarding the HHF Program.

**SCHEDULE B**

**SERVICE SCHEDULES**

The Service Schedules attached as Schedule B to the Current HPA are hereby deleted in their entirety and replaced with the attached Service Schedules (numbered sequentially as Service Schedule B-1, Service Schedule B-2, et. seq.), which collectively comprise Schedule B to the HPA.

**SERVICE SCHEDULE B-1**

**KENTUCKY HOUSING CORPORATION  
KENTUCKY UNEMPLOYMENT BRIDGE PROGRAM**

**Summary Guidelines**

<b>1. Program Overview</b>	<p>The Kentucky Housing Corporation’s (KHC) Kentucky Unemployment Bridge Program (UBP) will provide funds to lenders and servicers on behalf of qualified homeowners who are delinquent on their mortgage payments or anticipate default due to unemployment or substantial underemployment (loss of income). Maximum assistance per household is set at \$25,000.</p> <p>There is a time limit of 12 months for households to utilize the assistance – assistance ends at the earlier to occur of 12 months from the loan closing or receipt of \$25,000 in assistance, so long as other conditions of eligibility are met and continue. Funds will be available on a first-come/first-served basis.</p> <p>Borrowers will enter the UBP through the statewide Homeownership Protection Center operated by KHC. Applications will be processed by housing counseling agencies who will return the application to KHC for final underwriting, loan closing, disbursements and loan servicing. Borrowers will not be required to make any portion of the monthly payment. If a household qualifies for the UBP, program funds will be used for 100 percent of the monthly payment and up to \$7,500 in reinstatement fees to include homeowner’s delinquent balance late fees, penalty interest, taxes, insurance and protective advances.</p>
<b>2. Program Goals</b>	<p>To prevent avoidable foreclosure for homeowners who have experienced loss of income due to unemployment or substantial underemployment by providing funds to reinstate, pay the household’s mortgage payments during the period of unemployment/underemployment and for two months after re-employment, if needed, up to the maximum dollar threshold for assistance of \$25,000.</p>
<b>3. Target Population / Areas</b>	<p>The UBP will be available statewide. No specific population is targeted. During the first 12 months of the UBP, \$10,000,000 will be set aside to serve rural counties.</p>
<b>4. Total Allocation (Excluding Administrative Expenses)</b>	<p>\$133,550,000.00</p>

<p><b>5. Borrower Eligibility Criteria</b></p>	<p>All borrowers must submit a hardship affidavit documenting inability to pay their mortgage.</p> <p>Housing counselors and KHC will determine eligibility for the UBP. Eligible households must meet <u>ALL</u> of the following requirements:</p> <ul style="list-style-type: none"> <li>• The homeowners must be legal U.S. residents.</li> <li>• The financial hardship must be loss of employment income.</li> <li>• Monthly payment of principal, interest, taxes and insurance (PITI) including both first and second lien mortgages must exceed 31 percent of the borrower’s monthly gross income at time of application for the HHF funds, including any unemployment benefits, or the homeowner must be experiencing at least a 15% reduction in income.</li> <li>• The homeowner’s cash reserves cannot exceed six months, excluding retirement. For purposes of the UBP, “cash reserves” is defined as non-retirement liquid assets sufficient to pay the household’s PITI for their home mortgage(s).</li> <li>• The homeowner must be experiencing a financial hardship due to involuntary loss or reduction in homeowner's income documented by an executed hardship affidavit.</li> <li>• The homeowner must contact KHC or their counselor if there is a change in income or employment during the 12 months of UBP participation.</li> </ul>
<p><b>6. Property / Loan Eligibility Criteria</b></p>	<p>Property/Loan Eligibility Requirements:</p> <ul style="list-style-type: none"> <li>• Owner-occupied primary residence located in Kentucky.</li> <li>• Existing single-family homes or condominiums (attached or detached) and manufactured or mobile homes on foundations permanently affixed to real estate owned by the borrower.</li> </ul>
<p><b>7. Program Exclusions</b></p>	<p>A household is not eligible for the UBP if:</p> <ul style="list-style-type: none"> <li>• Borrower’s total unpaid principal balances exceed \$275,000, including first and second mortgages</li> </ul>

	<p>combined.</p> <ul style="list-style-type: none"> <li>• Borrower owns other residential property.</li> <li>• Borrower’s hardship is a result of voluntary resignation of employment or voluntary reduction in hours or income.</li> <li>• Borrower’s application is for a second home or investment properties.</li> <li>• Borrower does not occupy the property as its primary residence.</li> <li>• Borrower’s present household income is sufficient to pay mortgage expenses (mortgage payment does not exceed 31 percent of gross income) or the Borrower has not experienced at least a 15 percent reduction in income.</li> </ul> <p>The UBP will not fund job training costs.</p>
<p><b>8. Structure of Assistance</b></p>	<p>All assistance will be structured as a 0% interest, non-amortizing, forgivable, nonrecourse loan, secured by a junior lien on the property, which will be forgiven 20 percent each year over five years.</p> <p>The loan will only be repayable if the borrower sells the property before the period expires and there is sufficient equity to pay the loan.</p> <p>All funds returned to the UBP may be recycled until December 31, 2017, thereafter they will be returned to Treasury.</p>
<p><b>9. Per Household Assistance</b></p>	<p>Estimated Median - \$9,600 Maximum Assistance - \$25,000</p>
<p><b>10. Duration of Assistance</b></p>	<p>Payment of assistance will end on the first to occur of: (1) 12 months from assistance loan closing date, (2) two months after re-employment, (3) the expenditure of the maximum amount of assistance (\$25,000) or (4) the household no longer complies with other required program provisions.</p> <p>In the case of a new qualifying event of unemployment or underemployment, the household may re-apply for assistance. Provided, however that new assistance will be made available only to the extent assistance is available, up to the maximum total assistance for the household and the maximum time period for assistance has not been exhausted.</p>

<b>11. Estimated Number of Participating Households</b>	KHC is estimating that between 5,342 and 13,000 households will be served over the term of the UBP.
<b>12. Program Inception / Duration</b>	KHC implemented the UBP in two stages. This first phase of the UBP began January 3, 2011 to serve as a pilot period. Full implementation to all qualified borrowers statewide began April 1, 2011. The program will expire December 31, 2017.
<b>13. Program Interaction with Other Programs (e.g. other HFA programs)</b>	The UBP will be leveraged with existing programs including the Homeownership Protection Center (HPC), the Homeownership Education and Counseling Program funded through HUD and KHC and the NeighborWorks Foreclosure Mitigation Counseling Program (NFMC). Homeowners who participate in the UBP will work with a KHC-approved counselor and utilize the Homeownership Protection Center website for their initial information.
<b>14. Program Interactions with HAMP</b>	KHC and housing counselors will analyze borrowers for their eligibility for the Hardest Hit Unemployment Bridge Program as well as any other loss mitigation options that may be available to them. Where possible, HHF assistance will precede HAMP UP.
<b>15. Program Leverage with Other Financial Resources</b>	No investor match is required for this program.  This program will not be combined with other financial resources.
<b>16. Qualify as an Unemployment Program</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No