

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

This Ninth Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement (this “Amendment”) is entered into as of the date set forth on Schedule A attached hereto as the Ninth 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 set forth on Schedule A attached hereto, as previously amended by those certain Amendments to Commitment to Purchase Financial Instrument and HFA Participation Agreement dated as of their respective dates as set forth on Schedule A attached hereto (each, an “Amendment” and together with the Original HPA as amended thereby, the “Current HPA”), 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 (12 U.S.C. 5201 et seq.), as amended, and as the same may be amended from time to time (“EESA”);

WHEREAS, on February 19, 2016 Treasury announced that it would (i) extend the HHF Program through 2020, and (ii) make \$2 billion of additional assistance available under the HHF Program (the “Fifth Round Funding”) to help prevent foreclosure and stabilize housing markets in certain states that had previously received HHF Program funding for such purposes; and

WHEREAS, Treasury, HFA and Eligible Entity wish to enter into this Amendment to memorialize the extension of the HHF Program, increase the amount of HHF Program funds available to Eligible Entity hereunder, and make certain other changes to the terms of the Current HPA and the Exhibits and Schedules attached thereto.

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. End of Term. The definition of End of Term in Section 2(A)(14) of the Current HPA is hereby deleted and replaced with the following:

“End of Term” shall mean the last day of the calendar month in which the Eligible Entity makes the last disbursement of HHF Program funds in furtherance of the Services, which shall occur no later than December 31, 2021 (or such later date as Treasury may determine in its sole discretion with written notice to Eligible Entity and HFA). For the sake of clarity, Capital Draws shall not be permitted after the End of Term other than for payment of Permitted Expenses.

B. Bring Down Certificate. Section 2(A)(15) of the Current HPA is hereby amended by (i) striking “on each anniversary of the Effective Date during the Term (as defined below)” and replacing it with “on each anniversary of the Effective Date through September 30, 2016, and from and after October 1, 2016, no later than one hundred twenty (120) days after the end of each of their respective fiscal years”, and (ii) by adding to the end “A final certification shall be delivered by each of HFA and Eligible Entity on the Final Repayment Date (as defined in the Financial Instrument).”

C. Program Participation Cap. Section 3(D) of the Current HPA is hereby deleted in its entirety and replaced with the following:

D. The value of this Agreement is limited to the amount set forth in Schedule A as the Program Participation Cap, as may be adjusted from time to time as set forth on Schedule F attached hereto (the “Program Participation Cap”). Notwithstanding anything to the contrary contained herein, the aggregate Purchase Price payable to Eligible Entity under this Agreement with respect to all Services described on the Service Schedules may not exceed the amount of the Program Participation Cap.

D. Performance Reports. Section 4(A) is hereby amended by (i) striking the third sentence and replacing it with “HFA shall submit the Performance Report to Treasury or its designee no later than forty-five (45) days after the end of each calendar quarter and otherwise as requested by Treasury. After Treasury has communicated in writing that the Performance Report is in a form acceptable to Treasury, HFA shall promptly post the Performance Report to its website”; and (ii) adding to the end “A final Performance Report shall be delivered no later than forty-five (45) days after the end of the calendar quarter in which the End of Term occurs.”

E. Financial Reporting. Section 4(G) of the Current HPA is hereby deleted in its entirety and replaced with the following:

G. Each of HFA and Eligible Entity shall provide annual audited financial statements to Treasury no later than one hundred twenty (120) days after the end of its respective fiscal year, commencing with the first fiscal year ending after the Effective Date, and concluding with the fiscal year in which the End of Term occurs. Eligible Entity shall provide quarterly unaudited financial statements to Treasury no later than forty-five (45) days after the end of each quarter, commencing with the first full quarter ending after the Effective Date and concluding with the quarter in which the End of Term occurs.

F. Term. Section 5(A) of the Current HPA is hereby deleted in its entirety and replaced with the following:

(A) The term of this Agreement (“Term”) shall begin on the Effective Date and extend to the End of Term, or earlier termination of this Agreement by Treasury pursuant to the provisions hereof, or earlier suspension or termination of the Services by Treasury. Subject to the foregoing, new Services may be undertaken (e.g., approval of assistance actions with respect to unique homeowners or properties, including, where applicable, final underwriting decisions and payment schedules), through and including December 31, 2020 (or such later date as may be determined by Treasury in its sole discretion upon prior written notice to Eligible Entity). It is understood and agreed that certain administrative, monitoring, reporting, compliance and oversight obligations and requirements set forth in this Agreement and the Financial Instrument survive the expiration or termination of this Agreement or the End of Term, and that funds are to be reserved as set forth in Schedule C to pay for the cost of the same, through and including the Final Repayment Date.

G. Modifications.

(a) Section 9(A) of the Current HPA is hereby amended by inserting “and except as expressly set forth herein,” after “Subject to Section 9.B.,”

(b) Section 9(B) of the Current HPA is hereby amended by adding the following at the end:

Notwithstanding anything to the contrary contained herein, Treasury may approve revisions proposed by Eligible Entity and HFA to any Schedule or Exhibit attached hereto, by written notice to Eligible Entity and HFA, pursuant to a procedure established by Treasury in its sole discretion and provided to Eligible Entity and HFA. The applicable Schedule or Exhibit shall be deemed modified for all purposes hereunder as of the date such written notice is received pursuant to Section 8 hereof.

(c) Section 9(C) of the Current HPA is hereby amended by deleting the last sentence in its entirety.

H. Exhibit A. Exhibit A attached to the Current HPA is hereby deleted in its entirety and replaced with Exhibit A attached to this Amendment.

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

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

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

- L. Schedule F. A new Schedule F is added to the Current HPA in the form attached to this Amendment as Schedule F.
- M. Definitions. All references in the Current HPA to the "Agreement" shall mean the Current HPA, as further amended by this Amendment; all references in the Current HPA to the "Financial Instrument" shall mean the Amended and Restated Financial Instrument in the form attached to this Amendment as Exhibit A; and all references in the Current HPA to Exhibit A or Schedules A, B, C or F shall mean the Exhibit A or Schedules A, B, C or F attached to this Amendment. All references herein to the "HPA" shall mean the Current HPA, as further amended by this Amendment.

2. **Substitution of Financial Instrument.**

Eligible Entity shall deliver to Treasury on the date hereof an Amended and Restated Financial Instrument in the form attached to this Amendment as Exhibit A. By executing this Amendment, Treasury, HFA and Eligible Entity authorize The Bank of New York Mellon to cancel the Financial Instrument previously delivered under the Current HPA against delivery of such Amended and Restated Financial Instrument and direct The Bank of New York Mellon to return the cancelled Financial Instrument to (or at the direction of) the Eligible Entity.

3. **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 Amendment, the Amended and Restated Financial Instrument, and any other closing documentation delivered to Treasury in connection therewith, and to perform its obligations hereunder and thereunder.

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

4. Miscellaneous

A. The recitals set forth at the beginning of this 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 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 Amendment, the Amended and Restated Financial Instrument, and any other closing documentation delivered in connection therewith, shall be treated as originals for all purposes.

[SIGNATURE PAGE FOLLOWS; REMAINDER OF PAGE
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In Witness Whereof, HFA, Eligible Entity and Treasury by their duly authorized officials hereby execute and deliver this Ninth Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement as of the Amendment Date.

HFA:

KENTUCKY HOUSING CORPORATION

By: /s/ Brenda Walker
Name: Brenda Walker
Title: Managing Director

TREASURY:

UNITED STATES DEPARTMENT OF THE
TREASURY

By: _____
Name: Mark McArdle
Title: Deputy Assistant Secretary for
Financial Stability

ELIGIBLE ENTITY:

KENTUCKY HOUSING CORPORATION

By: /s/ Brenda Walker
Name: Brenda Walker
Title: Managing Director

EXHIBITS AND SCHEDULES

Exhibit A	Form of Amended and Restated Financial Instrument
Schedule A	Basic Information
Schedule B	Service Schedules
Schedule C	Permitted Expenses
Schedule F	HHF Fifth Round Funding Reallocation Model

EXHIBIT A

FORM OF AMENDED AND RESTATED FINANCIAL INSTRUMENT

This Amended and Restated Financial Instrument is delivered by the undersigned party (“Eligible Entity”) as provided in Section 1 of the Commitment to Purchase Financial Instrument and HFA Participation Agreement (the “Commitment”), entered into as of the Effective Date, as modified by those certain Amendments to Commitment to Purchase Financial Instrument and HFA Participation Agreement dated as of the dates set forth on Schedule A to the Commitment (together, the “Agreement”), by and among the United States Department of the Treasury (“Treasury”), the party designated as HFA in the Commitment (“HFA”) and Eligible Entity.

This Amended and Restated Financial Instrument is effective as of April 1, 2016. All of the capitalized terms that are used but not defined herein shall have the meanings ascribed to them in the Agreement.

Recitals

WHEREAS, Eligible Entity executed and delivered that certain Financial Instrument dated as of the Effective Date to Treasury (“Original Financial Instrument”); and

WHEREAS, Treasury and Eligible Entity desire to amend certain terms of the Original Financial Instrument regarding repayment of the Purchase Price in connection with the extension of the HHF Program through 2020 and availability of additional assistance under the HHF Program Fifth Round Funding; and

WHEREAS, Treasury and the Eligible Entity desire to restate and replace the Original Financial Instrument in its entirety.

Accordingly, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Eligible Entity agrees as follows:

1. Eligible Entity Obligation; Purchase Price Consideration.

- (a) Eligible Entity shall perform all Services described in the Service Schedules in consideration for the Purchase Price described in subsection (b) below, in accordance with the terms and conditions of the Agreement, to the satisfaction of Treasury. The conditions precedent to the payment by Treasury of the Purchase Price with respect to the Services are set forth in Section 3(B) of the Agreement.
- (b) This Amended and Restated Financial Instrument is being purchased by Treasury pursuant to Section 3 of the Agreement through the payment by Treasury of various payments referred to collectively in the Agreement as the “Purchase Price”. This Amended and Restated Financial Instrument is being purchased by Treasury in connection with Eligible Entity’s participation in the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets program (the “HHF Program”) created under the Emergency Economic Stabilization Act of

2008 (12 U.S.C. 5201 et seq.) as amended, as the same may be amended from time to time (“EESA”).

2. Repayment of Purchase Price.

If a recipient of HHF Program funds repays any or all of the funds received from Eligible Entity in connection with the Services (“Repaid Funds”), and such repayment occurs on or before the Final Repayment Date (hereinafter defined), Eligible Entity shall deposit such Repaid Funds in the Depository Account and use such Repaid Funds to provide Services or to fund the Permitted Expenses to the extent the full amount as indicated on Schedule C to the Agreement has not been drawn from Treasury pursuant to Section 3(A) of the Agreement. Any Repaid Funds retained by Eligible Entity to fund Permitted Expenses shall correspondingly reduce the amount that Eligible Entity may draw from Treasury pursuant to Section 3(A) of the Agreement to fund Permitted Expenses.

For the sake of clarity, if a recipient of HHF Program funds repays any or all of the funds received from Eligible Entity in connection with the Services, and such repayment occurs after the Final Repayment Date, such repaid funds shall not be considered HHF Program funds.

3. Final Repayment. In the event Eligible Entity is holding any HHF Program funds, including, but not limited to, amounts reserved for payment of Permitted Expenses and Repaid Funds, as of the date that is ninety (90) days after the End of Term (the “Final Repayment Date”), all such funds shall be returned to Treasury or its designee prior to 1:00pm Eastern Time on the Final Repayment Date. For the sake of clarity, no Capital Draws will be permitted after the Final Repayment Date.

4. Security Interest. As security for the performance of the Services and the other obligations of Eligible Entity under the Agreement, as such obligations are evidenced in this Amended and Restated Financial Instrument, Eligible Entity has granted to Treasury a first lien priority security interest in the Depository Account and in any moneys, or investments, if any, held therein.

5. Representations, Warranties and Covenants. Eligible Entity represents and warrants that the representations and warranties set forth in the Agreement, on the date hereof, are, and on the date of each Capital Draw hereunder, shall be, true, correct, accurate and complete in all material respects. The truth and accuracy of such representations and warranties are continuing obligations of Eligible Entity. Additionally, all covenants of Eligible Entity set forth in Section 2 of the Agreement are incorporated herein by reference and Eligible Entity, on the date hereof, is not, and on the date of each Capital Draw hereunder, shall not be in breach of any such covenants. In the event that any of the representations or warranties made herein or in the Agreement cease to be true and correct, or the Eligible Entity breaches any of the covenants made herein or in the Agreement, Eligible Entity agrees to notify Treasury immediately and the same shall constitute an Event of Default hereunder.

6. Limitation of Liability

IN NO EVENT SHALL TREASURY, OR ITS OFFICERS, EMPLOYEES, AGENTS OR AFFILIATES BE LIABLE TO ELIGIBLE ENTITY WITH RESPECT TO THE SERVICES OR THE AGREEMENT, OR FOR ANY ACT OR OMISSION OCCURRING IN CONNECTION WITH THE FOREGOING, FOR ANY DAMAGES OF ANY KIND, INCLUDING, BUT NOT LIMITED TO DIRECT DAMAGES, INDIRECT DAMAGES, LOST PROFITS, LOSS OF BUSINESS, OR OTHER INCIDENTAL, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES OF ANY NATURE OR UNDER ANY LEGAL THEORY WHATSOEVER, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND REGARDLESS OF WHETHER OR NOT THE DAMAGES WERE REASONABLY FORESEEABLE; PROVIDED, HOWEVER, THAT THIS PROVISION SHALL NOT LIMIT TREASURY'S OBLIGATION TO REMIT PURCHASE PRICE PAYMENTS TO ELIGIBLE ENTITY IN ACCORDANCE WITH THE AGREEMENT.

7. Indemnification

Eligible Entity agrees as set forth on Schedule E to the Agreement, which Schedule E is hereby incorporated into this Amended and Restated Financial Instrument by reference.

IN WITNESS WHEREOF, Eligible Entity hereby executes this Amended and Restated Financial Instrument on the date set forth below.

[INSERT FULL LEGAL NAME OF ELIGIBLE ENTITY]

By: _____
Name: _____
Title: _____

Date: _____, 2016

SCHEDULE A

BASIC INFORMATION

Eligible Entity Information:

Name of the Eligible Entity:	Kentucky Housing Corporation ¹
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 ¹
Organizational form:	independent, <i>de jure</i> Municipal Corporation
Date of Application:	September 1, 2010
Date of Action Plan:	September 1, 2010
Notice Information:	

Program Participation Cap: \$179,050,120.00

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

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

Rounds 1-4 Funding Allocation: \$148,901,875.00

Round 5 Funding Allocation: \$30,148,245.00

Permitted Expenses: \$18,769,672.00

Closing Date: September 23, 2010

¹ References in the Agreement to the term "HFA" shall mean 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>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>Fifth Amendment Date:</u>	May 3, 2012
<u>Sixth Amendment Date:</u>	December 14, 2012
<u>Seventh Amendment Date:</u>	October 10, 2014
<u>Eighth Amendment Date:</u>	October 28, 2015
<u>Ninth Amendment Date:</u>	April 1, 2016
<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

1. Program Overview	<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 a loss of income due to unemployment or a reduction in income due to substantial underemployment or a qualifying disability. Maximum assistance per household is set at \$15,000.</p> <p>There is a time limit of twelve (12) months for households to utilize the assistance – assistance ends at the earlier to occur of twelve (12) months from the loan closing or receipt of \$15,000 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 reinstatement fees to include homeowner’s delinquent balance late fees, penalty interest, taxes, insurance, and protective advances.</p>
2. Program Goals	<p>To prevent avoidable foreclosure for homeowners who have experienced loss of income due to unemployment or a reduction in income due to substantial underemployment or a qualifying disability by providing funds to reinstate, pay the household’s mortgage payments during the period of unemployment/underemployment/disability and for two (2) months after re-employment or substantially increased income, if needed, up to the maximum dollar threshold for assistance of \$15,000.</p>
3. Target Population / Areas	<p>The UBP will be available statewide. No specific population is targeted. During the first twelve (12) months of the UBP,</p>

	\$10,000,000 will be set aside to serve rural counties.
4. Total Allocation (Excluding Administrative Expenses)	\$144,780,448
5. Borrower Eligibility Criteria	<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"> • The homeowners must be legal U.S. residents. • The financial hardship must be loss of employment income due to unemployment or a 15% reduction in income for the underemployed or qualified disabled homeowners. • The homeowner’s cash reserves cannot exceed six (6) months, excluding retirement reserves. For purposes of the UBP, “cash reserves” is defined as non-retirement liquid assets sufficient to pay the household’s monthly payment of principal, interest, taxes and insurance (PITI) including both first and second lien home mortgage(s). • The homeowner must be experiencing a financial hardship due to involuntary loss or reduction in homeowner’s income documented by an executed hardship affidavit. • The homeowner must contact KHC or their counselor if there is a change in income or employment during the twelve (12) months of UBP participation.
6. Property / Loan Eligibility Criteria	<p>Property/Loan Eligibility Requirements:</p> <ul style="list-style-type: none"> • Owner-occupied primary residence located in Kentucky. • 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.
7. Program Exclusions	<p>A household is not eligible for the UBP if:</p> <ul style="list-style-type: none"> • Borrower’s total unpaid principal balances exceed

	<p>\$275,000, including first and second mortgages combined.</p> <ul style="list-style-type: none"> • Borrower owns other residential or rental property • Borrower’s hardship is a result of voluntary resignation of employment or voluntary reduction in hours or income. • Borrower’s application is for a second home or investment properties. • Borrower does not occupy the property as his/her primary residence. <p>The UBP will not fund job training costs.</p>
8. Structure of Assistance	<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 (5) 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>
9. Per Household Assistance	<p>Estimated Average - \$15,000 Maximum Assistance - \$15,000</p>
10. Duration of Assistance	<p>Payment of assistance will end on the first to occur of: (1) twelve (12) months from assistance loan closing date, (2) two (2) months after re-employment or substantially increased employment, (3) the expenditure of the maximum amount of assistance (\$15,000) 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 or qualifying disability, 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>
11. Estimated Number of Participating Households	<p>KHC is estimating that approximately 9712 households will be served over the term of the UBP.</p>

<p>12. Program Inception / Duration</p>	<p>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, 2020.</p>
<p>13. Program Interaction with Other Programs (e.g. other HFA programs)</p>	<p>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.</p>
<p>14. Program Interactions with HAMP</p>	<p>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.</p>
<p>15. Program Leverage with Other Financial Resources</p>	<p>No investor match is required for this program.</p> <p>This program will not be combined with other financial resources.</p>

SERVICE SCHEDULE B-2

KENTUCKY HOUSING CORPORATION

HARDEST HIT FUND DOWN PAYMENT ASSISTANCE PROGRAM

Summary Guidelines

1. Program Overview	The Down Payment Assistance (“DAP”) Program will provide an incentive to qualified homebuyers to purchase a primary residence in targeted areas in Kentucky. Providing incentives to qualified homebuyers in housing markets that have been hardest hit by serious delinquency, negative equity, distressed sales, and foreclosures will strengthen demand in those areas, stabilize housing prices and prevent future foreclosures. This Program will initially be offered as a pilot that includes four Kentucky counties.
2. Program Goals	The goal of the DAP Program is to help homeowners avoid foreclosure by assisting in the stabilization of housing prices in targeted areas. Kentucky will identify meaningful indicators that will enable them to track and quantify the DAP Program’s impact in the targeted areas.
3. Target Population/Areas	Targeted areas are those counties identified in Secondary Market Program Guide including: Jefferson, Kenton, Christian and Hardin (“Targeted Area”). For these four counties, Kentucky Housing evaluated five housing market distress indicators across all one-hundred and twenty Kentucky counties—seriously delinquent mortgage loans, negative equity, short sales, REO sales, and foreclosures—as well as loan origination volume. Targeted counties exceed the statewide rate in at least four out of the five distressed housing market indicators, and a minimum threshold origination volume was achieved in these counties in 2014.
4. Program Allocation (Excluding Administrative Expenses)	\$15,500,000.00
5. Borrower Eligibility Criteria	Eligible borrowers must qualify for and meet all requirements of a Kentucky Housing Corporation’s homebuyer loan program first mortgage loan originated through a participating lender. Allowable first mortgage loans are 30-year, fixed-rate loans from the Federal Housing Administration (FHA), Veterans Administration (VA), U.S. Department of Agriculture – Rural Development (RD) and Fannie Mae. Eligible borrowers must also meet the following criteria:

	<ul style="list-style-type: none"> • Must meet income limits that do not exceed 175% of the Area Median Income (“AMI”), as specified in the Secondary Market Program Guide. • Borrowers must be First-Time Homebuyers. For purposes of this program, a First-Time Homebuyer is someone who has not had an ownership interest in their primary residence in the past three years. • All borrowers must complete pre-purchase home buyer education and counseling in the form of an online, telephone, or face-to-face workshop. • Borrowers must be a legal U.S. citizen or lawful permanent resident or otherwise meet the applicable Agency (FHA, VA, USDA-RD) or GSE (Fannie Mae) requirements. • Borrowers must be able to provide a Dodd-Frank affidavit as specified in the Secondary Market Program Guide. • Borrowers must be credit-worthy and meet minimum FICO scores, and have a maximum debt-to-income (DTI) ratio no greater than 45%, each as specified in the Secondary Market Program Guide.
6. Property/Loan Eligibility Criteria	<ul style="list-style-type: none"> • The property must be a single-family home, a condominium unit, a townhome, a manufactured on foundation permanently affixed to real estate owned by the borrower. • Must be the borrower’s primary residence. • Property must be located in a Targeted Area. • Property must meet Kentucky Housing Corporation’s Secondary Market Program guide. Maximum purchase price limit is \$294,000. • Meet all applicable Agency (FHA, VA, USDA-RD) or GSE (Fannie Mae & Freddie Mac) underwriting guidelines.
7. Program Exclusions	<ul style="list-style-type: none"> • Borrowers, properties and loans not meeting eligibility requirements as specified in the Secondary Program Guide or Agency/GSE underwriting criteria. • Dodd-Frank exclusion for having been convicted of a mortgage-related felony in the past ten years.
8. Structure of Assistance	<p>Down payment assistance, including reasonable and customary closing costs, will be made available to homeowners in the form of a zero-percent (0%) interest, non-recourse, forgivable second mortgage loan with a five-year term. This loan will be evidenced by a note and mortgage in favor of Kentucky Housing Corporation. The second mortgage will be forgivable at the rate of 20% per year over the five</p>

	<p>year term of the loan. Kentucky Housing Corporation reserves the right to resubordinate the second mortgage as further detailed in the Closing and Quality Review- Secondary Market Program Guide.</p> <p>If the borrower sells the home during any part of the loan term, the remaining principal balance will be due to Kentucky Housing Corporation in the event there are sufficient equity proceeds from the sale. If there is not enough equity in the home to repay the entire amount due, Kentucky Housing Corporation will forgive the excess portion or all of the remaining principal balance. Any loans repaid will be recycled back into the Program and used to provide assistance to additional borrowers for the duration of the Program.</p>
9. Per Household Assistance	\$10,000
10. Duration of Assistance	DAP Program funds will be used to reimburse participating lenders who table fund the loan at closing, once it is determined that all DAP Program requirements have been met.
11. Estimated Number of Participating Households	It is anticipated that the DAP Program will assist approximately 1316 households.
12. Program Inception/Duration	The DAP Program will begin in 2016 and it is projected that assistance will be expended through 2020.
13. Program Interactions with Other Programs (e.g. other HFA programs)	The DAP Program will take advantage of an existing infrastructure of participating lenders who are already actively originating both first mortgage and down payment assistance loans as part of Kentucky's current homebuyer loan programs. If the borrower has received HHF assistance under any other HHF program, the maximum amount of all assistance may not exceed \$45,000.
14. Program Interactions with HAMP	None.
15. Program Leverage with Other Financial Resources	Kentucky Housing Corporation programs often use Secondary Market as a source of funding for the accompanying first mortgage loans. In addition, funds may be leveraged by our lenders using additional subsidy programs such as Federal Home Loan Bank down payment assistance, Neighborhood Stabilization Program (NSP) Funds or HOME funds.

SCHEDULE C

PERMITTED EXPENSES

	Kentucky
<i>One-time / Start-Up Expenses:</i>	
Initial Personnel	\$0
Building, Equipment, Technology	\$115,100
Professional Services	\$1,900
Supplies / Miscellaneous	\$1,500
Marketing /Communications	\$100,000
Travel	\$0
Website development /Translation	\$0
Contingency	\$0
Subtotal	\$218,500
<i>Operating / Administrative Expenses:</i>	
Salaries	\$7,256,889
Professional Services (Legal, Compliance, Audit, Monitoring)	\$4,940,398
Travel	\$42,705
Buildings, Leases & Equipment	\$0.00
Information Technology & Communications	\$286,066
Office Supplies/Postage and Delivery/Subscriptions	\$104,567
Risk Management/ Insurance	\$0.00
Training	\$2,072
Marketing/PR	\$751,076
Miscellaneous	\$0.00
Subtotal	\$13,383,773
<i>Transaction Related Expenses:</i>	
Recording Fees	\$143,481
Wire Transfer Fees	\$97,228
<i>Counseling Expenses</i>	
File Intake	\$0.00
Decision Costs	\$0.00
Successful File	\$4,926,690
Key Business Partners On-Going	\$0.00

	Kentucky
Subtotal	\$5,167,399
Grand Total	\$18,769,672
% of Total Award	10.5%
Award Amount	\$179,050,120.00

SCHEDULE F

HHF FIFTH ROUND FUNDING REALLOCATION MODEL

This Schedule F describes a uniform model (the “Reallocation Model”) designed to maximize the utilization of the \$2 billion made available under the HHF Program Fifth Round Funding. In general, the Reallocation Model reallocates unused Fifth Round funding to states participating in the HHF Program that meet certain defined criteria for utilization of HHF Program funds. The aggregate amount obligated under the Fifth Round Funding will not increase at any time.

I. Definitions

- (a) “2016 Utilization Threshold” shall mean having Drawn at least 70% of the Rounds 1-4 Funding Allocation.
- (b) “2017 Utilization Threshold” shall mean having Drawn at least 95% of the Rounds 1-4 Funding Allocation.
- (c) “2018 Utilization Threshold” shall mean having Drawn at least 80% of the Program Participation Cap.
- (d) “Annual Reallocation Amount” shall mean the aggregate amount, if any, by which the Program Participation Caps set forth in all HFA Participation Agreements are reduced pursuant to the Reallocation Model, as applied with respect to each Utilization Threshold.
- (e) “Drawn” shall mean having made Capital Draws pursuant to Section 3(A) of the Agreement.
- (f) “HFA Participation Agreements” shall mean, collectively, the Commitments to Purchase Financial Instrument and HFA Participation Agreements entered into by the States, as amended from time to time.
- (g) “Population” shall mean the most recent *Annual Estimate of the Resident Population for a State* as determined by the United States Census Bureau from time to time.
- (h) “Recipient State” shall mean each State that has achieved the Utilization Threshold for the applicable year, provided that such State is not then in default under its HFA Participation Agreement. Notwithstanding the foregoing, in the event a State declines an increase to its Program Participation Cap and Round 5 Funding Allocation for which it is eligible pursuant to this Schedule F, such State shall not be considered a Recipient State.
- (i) “Rounds 1-4 Funding Allocation” is the amount set forth on Schedule A as “Rounds 1-4 Funding Allocation.”
- (j) “Round 5 Funding Allocation” is the amount set forth on Schedule A as “Round 5 Funding Allocation”, as adjusted from time to time in accordance with this Schedule F.

- (k) “Share of Annual Reallocation Amount” shall mean a Recipient State’s share of the applicable Annual Reallocation Amount, as determined using the methodology described in Section IV below. If the Annual Reallocation Amount is zero, then the Share of Annual Reallocation Amount will be zero for the applicable year.
- (l) “State” shall mean any or each of Alabama, Arizona, California, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, New Jersey, Nevada, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, Tennessee, and Washington, D.C.
- (m) “Utilization Threshold” means each of the 2016 Utilization Threshold, the 2017 Utilization Threshold and the 2018 Utilization Threshold.

II. Reduction of Program Participation Cap and Round 5 Funding Allocation:

- (a) If Eligible Entity does not achieve the 2016 Utilization Threshold on or before December 31, 2016, each of the Program Participation Cap and Round 5 Funding Allocation shall be reduced by an amount equal to 50% of the Round 5 Funding Allocation as of such date.
- (b) If Eligible Entity does not achieve the 2017 Utilization Threshold on or before December 31, 2017, each of the Program Participation Cap and the Round 5 Funding Allocation shall be reduced by up to 100% of the Round 5 Funding Allocation as of such date.
- (c) If Eligible Entity does not achieve the 2018 Utilization Threshold on or before December 31, 2018, each of the Program Participation Cap and Round 5 Funding Allocation shall be reduced by an amount equal to that portion of the Round 5 Funding Allocation which has not yet been Drawn nor obligated with respect to a unique homeowner or property as of such date.

III. Increase of Program Participation Cap and Round 5 Funding Allocation:

- (a) If Eligible Entity achieves the 2016 Utilization Threshold on or before December 31, 2016, each of the Program Participation Cap and Round 5 Funding Allocation shall be increased by the State’s Share of the Annual Reallocation Amount with respect to such date.
- (b) If Eligible Entity achieves the 2017 Utilization Threshold on or before December 31, 2017, each of the Program Participation Cap and the Round 5 Funding Allocation shall be increased by the State’s Share of the Annual Reallocation Amount with respect to such date.
- (c) If Eligible Entity achieves the 2018 Utilization Threshold on or before December 31, 2018, each of the Program Participation Cap and Round 5 Funding Allocation shall be increased by the State’s Share of the Annual Reallocation Amount with respect to such date.

IV. Methodology for Determining Recipient State’s Share of Annual Reallocation Amount

If Eligible Entity has achieved the Utilization Threshold and the Annual Reallocation Amount is greater than zero for the applicable year, the Program Participation Cap and Round 5 Funding Allocation will be increased by an amount calculated as follows:

First, calculate the “Per Capita Amount” for each Recipient State. The Per Capita Amount shall be calculated as the Annual Reallocation Amount divided by the sum of the Population of all Recipient States.

Second, calculate the “Utilization Percentage” for each Recipient State.

The Utilization Percentage with respect to the 2016 Utilization Threshold and the 2017 Utilization Threshold shall be calculated as the lesser of (I) the ratio of (x) aggregate Capital Draws made by the Recipient State under its HFA Participation Agreement as of December 31, 2016 and December 31, 2017, respectively, to (y) the Recipient State’s Rounds 1-4 Funding Allocation as of such dates, or (II) 100%.

The Utilization Percentage with respect to the 2018 Utilization Threshold shall be calculated as the ratio of (x) aggregate Capital Draws made by the Recipient State under its HFA Participation Agreement as of December 31, 2018, to (y) such Recipient State’s Program Participation Cap as of such date.

Third, calculate a “Utilization Score” for each Recipient State by standardizing the Utilization Percentages using the z-score methodology, a standard statistical standardization procedure. The Utilization Score for each Recipient State is calculated as (I)(x) the Utilization Percentage for such Recipient State, less (y) the mean Utilization Percentage for all Recipient States (“Average”), divided by (II) the standard deviation of the Utilization Percentages for all Recipient States. If a Recipient State’s Utilization Percentage is greater than the Average, the Utilization Score will be positive. If a Recipient State’s Utilization Percentage is less than Average, the Utilization Score will be negative.

Fourth, calculate a “Need Factor” for each Recipient State. The Need Factor is a fixed dollar amount which will be multiplied by each Utilization Score to determine the dollar amount by which each Recipient State’s Per Capita Amount will be adjusted. The Need Factor is calculated as the dollar amount that would result in the highest adjusted Per Capita Amount for a Recipient State being no more than three (3) times that of the lowest adjusted Per Capita Amount for a Recipient State (*i.e.*, a Min/Max Factor of 3).

Fifth, calculate an “Adjusted Per Capita Amount” for each Recipient State by adding to or subtracting from the Recipient State’s Per Capita Amount the product of (x) the Need Factor and (y) the Recipient State’s Utilization Score. Recipient States with positive Utilization Scores will have dollars added to the Recipient State’s Per Capita Amount, and Recipient States with negative Utilization Scores will have dollars subtracted from the Recipient State’s Per Capita Amount.

Sixth, calculate the “Share of the Annual Reallocation Amount” for each Recipient State by first multiplying the Recipient State’s Adjusted Per Capita Amount by the Recipient State’s

Population to arrive at a “Preliminary Share”. The Preliminary Share for each Recipient State is then normalized to arrive at the Share of the Annual Reallocation Amount by multiplying (x) a ratio, the numerator of which is the Preliminary Share for such Recipient State and the denominator of which is the sum of the Preliminary Shares for all Recipient States, and (y) the Annual Reallocation Amount.

V. Notices; Modifications

- (a) Treasury will notify Eligible Entity in writing of any adjustment to the Program Participation Cap and Round 5 Funding Allocation pursuant to this Schedule F. Related adjustments to program allocations and other amounts set forth in the Service Schedules, and Permitted Expenses set forth on Schedule C, shall be made as set forth in such written notice.
- (b) For the avoidance of doubt, a written amendment to the Agreement shall not be required to effectuate an adjustment of the Program Participation Cap or Round 5 Funding Allocation pursuant to this Schedule F. The Program Participation Cap and Round 5 Funding Allocation set forth on Schedule A to the Agreement shall be deemed to be modified upon receipt of the written notice sent pursuant to Section V (a) above.
- (c) Treasury reserves the right to unilaterally modify or supplement the terms and provisions of this Schedule F, at any time with prior written notice to the Eligible Entity.