

SERVICE SCHEDULE B-1

KENTUCKY HOUSING CORPORATION

KENTUCKY UNEMPLOYMENT BRIDGE PROGRAM

Summary Guidelines

<p>1. Program Overview</p>	<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>
<p>2. Program Goals</p>	<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>

<p>3. Target Population / Areas</p>	<p>The UBP will be available statewide. No specific population is targeted. During the first twelve (12) months of the UBP, \$10,000,000 will be set aside to serve rural counties.</p>
<p>4. Program Funds (Excluding Administrative Expenses)</p>	<p>Not applicable. Program Funds may be disbursed under any program included in Schedule B.</p>
<p>5. Borrower Eligibility Criteria</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"> <input type="checkbox"/> The homeowners must be legal U.S. residents. <input type="checkbox"/> 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. <input type="checkbox"/> 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.
<p>6. Property / Loan Eligibility Criteria</p>	<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.

<p>7. Program Exclusions</p>	<p>A household is not eligible for the UBP if:</p> <ul style="list-style-type: none"> • Borrower’s total unpaid principal balances exceed \$275,000, including first and second mortgages combined. • 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>
<p>8. Structure of Assistance</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 (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>
<p>9. Per Household Assistance</p>	<p>Estimated Average - \$15,000 Maximum Assistance - \$15,000</p>
<p>10. Duration of Assistance</p>	<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>
<p>11. Estimated Number of Participating Households</p>	<p>KHC is estimating that approximately 10,000 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 Funds (Excluding Administrative Expenses)	Not applicable. Program Funds may be disbursed under any program included in Schedule B.
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.
<p>6. Property/Loan Eligibility Criteria</p>	<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.
<p>7. Program Exclusions</p>	<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.
<p>8. Structure of Assistance</p>	<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 year term of the loan. Kentucky Housing Corporation reserves the right</p>

	<p>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 4085 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	\$7,653,102
Professional Services (Legal, Compliance, Audit, Monitoring)	\$5,300,398
Travel	\$40,000
Buildings, Leases & Equipment	\$0.00
Information Technology & Communications	\$306,066
Office Supplies/Postage and Delivery/Subscriptions	\$130,000
Risk Management/ Insurance	\$0.00
Training	\$6,000
Marketing/PR	\$733,920
Miscellaneous	\$0.00
Subtotal	\$14,169,486
<i>Transaction Related Expenses:</i>	
Recording Fees	\$168,481
Wire Transfer Fees	\$117,228
<i>Counseling Expenses</i>	
File Intake	\$0.00
Decision Costs	\$0.00
Successful File	\$5,301,690
Key Business Partners On-Going	\$0.00

	Kentucky
Subtotal	\$5,587,399
Grand Total	\$19,975,385
% of Total Award	9.64%
Award Amount	\$207,192,837