

Training and Operations Manual

The Fair Housing Act prohibits discrimination in housing because of:

- Race
- Color
- National Origin
- Religion
- Sex
- Familial Status
- Disability

**Overview of Process****A) Program Summary**

This summary is intended to explain basic procedures and methods in place for the Kansas Housing Resources Corporation (KHRC) HOME First Time Homebuyer (FTHB) Program (the Program).

KHRC will establish a network of participating lenders. All applications for funding shall be submitted through one of these lenders.

All properties to be assisted must be located within the State of Kansas, excluding areas that constitute participating jurisdictions: the city limits of Kansas City, Lawrence, Topeka, Wichita, or Johnson County. Eligible properties may not be in the 100 (one hundred) Year Flood Plain (Flood Plain A, AE, AH, AO, A, V or VE). KHRC reserves the right to designate targeted areas for this program. All properties will be required to pass an inspection in accordance with 92.251 of the HOME Final Rule published 7-24-2013. KHRC will order the inspection after the confirmation has been issued and advise the lender if the property is eligible.

Qualified buyers may receive a subsidy of up to 20% of the sales price of the property for households earning less than 50% (very low income and below) of the HUD HOME income limits, and 15% of the sales price of the property being purchased for households earning more than 50%, but less than 80% (low income and below) of the HUD HOME income limits, maximum \$40,000. This subsidy shall be applied to the down payment and/or allowable closing costs of the property being purchased. To ensure compliance with the terms of the loan being provided, a lien (a legal claim against property that can be used as collateral to repay a debt) must be placed upon the property in the full amount of the provided subsidy, as evidenced by a Promissory Note and a filed Second Mortgage.

Should an existing homeowner that received HOME down payment assistance want to refinance their first mortgage loan, it must be reviewed by KHRC to ensure that the terms of the new loan are reasonable. KHRC has developed a form called the Mortgage Subordination Request Form that describes the terms for such.

B) Recapture of KHRC Subsidy

People who are assisted with the Program are entering into a contract with KHRC. They agree to live in the home they purchase for a period of ten years. If the property is converted to rental use the entire amount of the HOME assistance originally provided must be recaptured.

Amount subject to recapture: The HOME investment that is subject to recapture is based on the amount of HOME assistance that enabled the homebuyer to buy the dwelling unit. The subsidy awarded will have two equal parts: an interest-free soft second portion and an interest-free portion. The interest-free soft second portion will be forgiven proportionately over a period of 60 months (5-years) if less than \$15,000; and 120 months (10-years) if \$15,000 and over. The interest-free portion of the subsidy will be repaid in full upon the sale of the house at any time within the initial 10-year period. The minimum amount of assistance is \$1,000 and the maximum is \$40,000.

Therefore, restrictions are as follows:

<u>Subsidy Amount</u>	<u>½ Soft Second</u>	<u>and ½ Interest Free Portion</u>
Up to \$14,999	5 years	10 years
\$15,000 to \$40,000	10 years	10 years

C) State Employees Accessing Program & Possible Conflict of Interest Procedures

The KHRC program is funded by HUD HOME. To avoid any actual or apparent conflict of interest, HUD has specific guidelines in place to identify people whose use of the Program would constitute a conflict of interest.

No staff member that directly accesses HUD funds, or has decision making ability over HUD funds, or any of their family members shall be eligible for this loan.

Persons required to obtain a Waiver of Conflict of Interest would include those persons that work on a regular basis with HOME funds, have decision making capabilities regarding the use of HOME funds, have access to Integrated Disbursement and Information System (IDIS), assist non-public agencies such as Community Housing Development Organizations (CHDOs) with HOME funded applications that may or may not be directly related to housing, and any elected or appointed official that has a direct, or indirect decision making authority over HOME funds. Prior approval of a Waiver of Conflict of Interest would be required for anyone meeting these guidelines, and specifically anyone working at KHRC.

Covered people also include those who can gain inside information regarding HOME activities. It extends to their family members and people with whom they have business ties. Family members include parents, grandparents, stepparents, children, aunts, uncles, nephews, nieces, etc. It extends for one year after they leave their covered position.

For each employee whose participation in the program might raise the question of a Conflict of Interest under 24CFR, 92.356 (a) - (e) if they were allowed to access HOME funds, they will be required to make a written request to the Executive Director of KHRC, requesting that a determination be made if, in the opinion of the Director's office, the potential or appearance of a conflict of interest exists. If in the opinion of the Executive Director, no such conflict exists, Notification to the Public as detailed below shall be made. The Executive Director will refer any conflicts to the Attorney Generals' office. If the Attorney General stipulates that no such conflict of interest exists, the following procedures are required. Notification to the Public in the form of a newspaper advertisement in the major publication serving the county in which the home to be purchased is located will be published stipulating the employees' name and the program they are attempting to access. This notice will request comments from the public, with the stipulation that comments must be received by KHRC within seven days of publication. If no comments are received, or if comments are received and determined by the Attorney General to have no impact on the initial Opinion, KHRC will submit a request for a Waiver of Conflict of Interest from HUD, including with this correspondence a copy of the publication notice which shall include date of publication, any comments received, and Attorney responses to any comments received, and a copy of the original Attorneys' Opinion. If comments are received that raise questions as to a conflict of interest, further investigation will be conducted, and a determination made by the Attorney as to whether a conflict of interest may exist. The decision of the Attorney will be considered final, and no further publication will take place.

D) Application Procedures

Prior to participating in the KHRC program, interested lenders must attend Lender Training, and execute the FTHB Mortgage Lender Origination Agreement, Form W-9, and KHRC Vendor Setup Form. Each lender is reviewed in the System for Award Management (SAM) to confirm they are not debarred, suspended, or ineligible contractors or participants (24 CFR part 2424). Lender's requesting electronic funds transfer (EFT) must also submit a voided check or letter from the bank holding the account.

- 1) A potential borrower must be a first-time homebuyer, which has been defined to include a displaced homemaker, a single parent, or an eligible purchaser, as defined in this manual. The potential borrower must apply for a first mortgage loan from a participating lender offering the Program. The Program is not available for use with refinancing existing mortgages. The Program may not be used if the first mortgage is not obtained from a lender participating with the State.
- 2) Prior to requesting reservation of funds, Lenders will perform sufficient processing to make a preliminary determination that the potential borrower meets the qualifications for the Program; conduct a credit check, verify household income, determine the sales price of property to be purchased is within the guidelines, if a contract has been executed, etc. All funds will be reserved on an individual first-come, first-served basis. The lender will advise the homebuyer of the maximum loan amount the homebuyer will qualify for, and the sales price the homebuyer's loan will support.
- 3) Potential homebuyers will enter a contract to purchase a home in the price range indicated by the lender. A fully executed Real Estate Purchase Contract must be provided to the Lender before a reservation of funds may be submitted. The sales price and final loan amount for this purchase may not exceed the maximum purchase price limit set for the Program in accordance with CFR 92.254(a)(2)(iii) of the HOME final Rule published 7-24-2013. The buyer should be informed that an inspection is required, and that homes constructed prior to 1978 are subject to lead-based paint stabilization requirements. Homes constructed prior to 1978 must execute Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards.
- 4) LENDER pre-approves the buyer based on loan criteria and emails FTHB@kshousingcorp.org the completed:

- a) FTHB Inspection Request Form
- b) FTHB HOME Application Form
- c) FTHB Inspection Disclaimer Form
- d) FTHB Sellers Inspection Guidelines
- e) Potential BUYER First Mortgage Loan Application
- f) Uniform Underwriting and Transmittal Summary - Form 1008 (must include ratios and credit score)
- g) Flood Certification (cannot be in flood zones A, AE, AH, AO, A99, V and/or VE)
- h) Loan Estimate for 1st Mortgage (including estimated KHRC FTHB HOME soft second amount)
- i) Social Security cards for all people in household 18 years and older
- j) Employer Income Verifications (2 months of paystubs, letters, VOEs to calculate income going forward)
- k) Profit and Loss Statement for Sole Proprietor or Self-Employment
- l) Social Security Benefit Verification or Proof of Income Letter <https://www.ssa.gov/manage-benefits/get-benefit-letter>
- m) Child Support Payment Record (if applicable) <https://www.kspaycenter.com/general-info.aspx>
- n) Certification of Zero Income, Adult (if applicable)
- o) Certification of Zero Income, Children (if applicable, such as no child support or Social Security Benefit)
- p) Recent documentation for all assets (documents ability to pay cash to close)
- q) Most recent past three (3) years of federal tax returns with Schedule A if applicable (state not necessary) <https://www.irs.gov/individuals/get-transcript>. If tax returns were not filed, include the Certification of Non-Filing Status Affidavit (if applicable)
- r) Divorce decree or child custodial documents, if applicable to document official household size not on tax return.

NOTE: Do not submit a partial file. Email all the items at the same time.

5) KHRC will verify income and assets and advise within ten business days of submitting the application package whether applicant is approved as income eligible. KHRC will advise lenders by emailing a Reservation Confirmation Letter. Confirmed reservations are valid for 120 days.

At the time of approval, KHRC will order an inspection, and email the Reservation Confirmation Letter, the 2nd Mortgage Forgiveness Notice, and the Homebuyer Counseling and Education informational flyer to the Lender.

Within twenty business days of reservation, KHRC will notify the lender of the inspection results. If the house does not pass inspection, the seller has 30 days to complete the repairs at their own expense.

If the house was built before 1978 and failed the visual paint assessment, deteriorated paint found, above the de minimis level, the seller, at their expense must have Lead Abatement completed (and documented) by a Licensed Lead Contractor. Since the First Time Homebuyer Program is an acquisition program, Subpart X of 24 CFR 35, 1000 lead paint regulations apply. Whole home lead clearance is required to be eligible for HOME funds.

6) Lender completes processing the loan. The loan must be at a 30-year fixed rate mortgage using FHA, VA, USDA Rural Development, Fannie Mae, Freddie Mac, or Conventional underwriting guidelines. The interest rate must not exceed Freddie Mac's Primary Mortgage Market Survey Rate by more than .65% <https://www.freddiemac.com/pmms>. Customary lender origination fees (processing and underwriting) are not to exceed the greater of 1.5% of the loan amount or \$3,000. Reasonable and customary fees, including points to reduce interest rates (if appropriate), and closing costs may be charged if such compensation payments are fully disclosed to the borrower in accordance with federal, state, and local laws and regulations. No pre-payment penalties are allowed. The housing ratio must be no less than 15% and no more than 30% and the total debt ratio must be 45% or less. The buyer must invest 1% of the sale price of their own funds, maximum 10%. Gifts can be received above the buyer's 1% investment, but no more than 9% of the sale price.

NOTE- THE FOLLOWING ACTIONS MAY OCCUR OVER THE SAME TIME PERIOD

7) Once required repairs are complete, Lender again emails the Inspection request to KHRC, with the current date under "Date of Reinspection Request:" All repairs must be completed before reinspection is requested. Should all repairs not be completed, the lender will be charged for any additional inspections (\$125.00 per re-inspection, payable before funds are issued for closing).

8) KHRC orders reinspection and notifies the Lender of the results.

9) Prior to requesting funds for closing, lender submits to submits to FTHB the completed (can be submitted earlier in process):

- a. HUD Homebuyer Counseling Session - Certificate of Completion and receipt (cost can apply to required 1% down)
- b. HUD Homebuyer Education Course - Certificate of Completion and receipt (cost can apply to required 1% down)
- c. FTHB 2nd Mortgage Forgiveness Notice

10) LENDER sends remaining necessary documents with original wet signatures or validated e-signatures to FTHB for final loan approval:

- a. This step can be completed prior to the house passing FTHB inspection if all documents are ready. However, loan approval cannot be given until the house passes inspection.
- b. FTHB HOME application (original wet signature or validated e-signature)
- c. Certification of Zero Income for Children, if applicable (original wet signature or validated e-signature)
- d. Certification of Zero Income, Adult, if applicable (original wet signature or validated e-signature)
- e. Certification of Non-Filing Status Affidavit, if applicable (original wet signature or validated e-signature)
- f. Lead-Based Paint Certification (only for homes constructed prior to 1978)
- g. Purchase contract and all addendums
- h. Home Appraisal
- i. Affidavit of Seller (original wet signature and confirm 2nd page is marked correctly)
- j. Seller's Inspection Guidelines (original wet signature or validated e-signature)
- k. Affidavit of Buyer (original wet signature)
- l. Inspection Disclaimer form (original wet signature or validated e-signature)
- m. Proof of homeowner's hazard insurance with KHRC listed as second mortgagee
- n. Preliminary Title Insurance with KHRC as a lien holder
- o. FTHB Authorization for Drawdown of Funds form
- p. Preliminary Closing Disclosure for 1st mortgage (including KHRC FTHB HOME soft second amount)

Send the above items to:

Kansas Housing Resources Corporation
Attn: FTHB
200 SW 6th Ave
Topeka, KS 66603-3704

11) KHRC reviews information and issues approval or requests for more information within three business days and notifies the lender by email or telephone. The potential closing date is determined.

12) KHRC requests funds from HUD. Allow 7-10 business days.

13) Lender prepares KHRC Second Mortgage and Promissory Note.

14) FTHB emails LENDER and/or Title/Closing Agent the EFT notice of payment in the amount of the soft second mortgage or mails the LENDER a paper check. FTHB can overnight the paper check upon request, once a prepaid UPS shipping label is received.

15) Closing: Lender closes loan, buyer executes KHRC Note and Second Mortgage. Lender records Second Mortgage.

16) As soon as possible but no later than 30 days after closing, LENDER sends to FTHB:

- a. Original wet signature - FTHB HOME Promissory Note
- b. Original notarized and recorded - FTHB HOME Second Mortgage
- c. Copy of signed Final Closing Disclosure
- d. Copy of signed First Mortgage Promissory Note

HOME Program Income Limits – Updated Each Year

Income limits can be found under Documents-Forms-Resources or

<https://www.hudexchange.info/programs/home/home-income-limits>

HOME Maximum Purchase Price Limits - Updated Each Year

Maximum Purchase Price limits can be found under Documents-Forms-Resources or

<https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value>

Application

A) First Time Homebuyer Requirements

Any adult expected to reside in the home to be purchased must meet the following first-time homebuyer requirements. These requirements apply to any person over the age of eighteen occupying the residence, whether they will hold title to the property, or execute the Mortgage Note.

Ownership must be in fee simple title. The title to the property may not change at any time while the Second Mortgage is in place, unless approved by KHRC. No contract for deed.

1) Definition: A person shall be a first-time homebuyer if they have not owned a principal residence during the three-year period immediately preceding the purchase of the home to be subsidized with HOME funds.

Eligible applicants may not have taken an income tax deduction on Schedule A of their Federal income tax returns for any residence within the past three years immediately preceding the purchase of the home to be subsidized with HOME funds.

All members of the household must meet the first-time homebuyer requirements.

2) A displaced homemaker shall be a first-time homebuyer. This is defined as a person who owned a home or resided with a spouse who owned a home within the last three years immediately preceding the purchase of the home to be subsidized with HOME funds, but who meets the following description:

- a) is a divorced adult, and
- b) did not work in the labor force for several years but has, during such years, worked primarily without remuneration to care for the home and family, and
- c) is unemployed or underemployed and is having trouble in obtaining or upgrading employment, and
- d) while married owned a home with their spouse and in the divorce settlement, the residence was awarded to the spouse or required to be sold.

3) A single parent shall be considered a first-time homebuyer if they meet the following criteria:

- a) is divorced from a spouse, and

b) has one or more minor children for whom the individual has custody or joint custody (at least 50% custody), and
c) while married owned a home with their spouse and in the divorce settlement, the residence was awarded to the spouse or required to be sold.

4) Present ownership interest shall disqualify a potential buyer from eligibility. The following shall constitute a present ownership interest:

- a) a fee simple interest (no contract for deed allowed)
- b) a joint tenancy, tenancy in common, tenancy in the entirety, or community property interest
- c) the interest of a tenant-shareholder in a cooperative
- d) a life estate
- e) a land contract, (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred even though legal title is not transferred until some later time, and
- f) an interest held in trust for the Mortgagor (whether created by the Mortgagor) that would constitute a present ownership interest if held directly by Mortgagor.

5) Non-present ownership interest shall not disqualify a potential buyer from eligibility. The following shall constitute a non-present ownership interest:

- a) a remainder interest
- b) a lease with or without an option to purchase
- c) a mere expectancy to inherit an interest in a principal residence, and
- d) the interest that a purchaser of a residence acquires on the execution of a purchase contract.

6) Federal tax returns must be provided by all residents of the property over the age of eighteen, whether they will hold interest in the property or execute the note. These forms will be used to demonstrate, among other things, first time homebuyer status. These copies must be signed or digitally signed by the person filing the returns, and must be completed in full, including name of filer, Social Security numbers, and addresses of filer at the time the return was filed, etc. If an occupant was not required to file Federal income taxes in any of the preceding three years, that resident must sign Certification of Non-filing Status form. All reasons must be lawful and legitimate.

7) Exceptions: an individual may not be excluded from consideration as a first-time homebuyer under this paragraph on the basis that the individual owns or owned, as a principal residence during the three-year period before the purchase of a home with KHRC a dwelling unit whose structure is/was:

- a) not permanently affixed to a permanent foundation in accordance with local or other applicable regulations, or
- b) not in compliance with state, local, model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure, and have received an official condemnation notice

All applicants shall certify their first-time status and an understanding of the rules and regulations relevant to the KHRC program by signing an Affidavit of Homebuyer form.

In some circumstances, KHRC may feel that it is in the best interest of the Program to include those homebuyers that are not first-time homebuyers or are unable to document that they are first time homebuyers. These buyers may not hold title to any property, other than ancillary interest, at the time of closing of their new loan.

In those circumstances, KHRC will decide, based upon information received from the potential homebuyer and the lender, whether the homebuyer meets all other requirements of the program: income, property condition, location, etc.

In every case, all applicants will be required to submit the same information to determine eligibility as a first-time homebuyer would be required to submit loan application, income tax returns, income information, etc.

All HOME requirements must be met by the homebuyer and the home to be purchased.

All homebuyers must complete a one-on-one counseling session and a homebuyer education course with a HUD approved counseling agency. Copies of the certificates of completion will be sent to KHRC along with a copy of the receipts.

B) Income

1) Number of persons in the household, for the purpose of the Program, shall be defined as all persons who will occupy the residence after loan closing. Foster children are not included in household numbers.

2) Total household income, for the purposes of qualifying for the Program, shall be defined as the gross amount of income of all adult household members that is anticipated to be received during the upcoming 12-month period. This means all regularly recurring payments for salary, bonuses, overtime, interest on investments, business income, retirement and insurance income, unemployment and disability income, cash or food public assistance, alimony, child support, or recurring gift income. A chart from 24 CFR, Section 5, is included in this manual for reference.

All income must be evidenced by copies of appropriate verification forms. This should include any account interest as indicated on the application. Income is determined at the time of reservation, and is valid until loan closing, if loan closing occurs within 6 months from date of application.

If a household member over the age of eighteen receives no income, Social Security, pension, or other form of support, that person must execute a Certification of Zero Income form, which must be signed stating that the occupant receives no SSI or SSA, Disability etc.

It is important to note that HUD regulations require the inclusion of all income anticipated to be earned in the upcoming 12-month period. To qualify for the Program, the income of all people expected to reside in the home to be purchased must be less than the maximum income limit applicable at the time of loan closing.

Child Support: If child support is not received on a regular basis, you may use the total amount of child support received within the past twelve months as basis, then project forward for 12 months. A printout from the Child Support Payment Center is sufficient to show the exact amounts of support received within the past twelve months.

If an applicant has begun receiving child support during the last twelve months, determine the amount of child support earned for the appropriate number of months. Divide the earnings received by the actual period child support has been received. Multiply the result by 12 months or 52 weeks, depending upon the period used in the division. Use projected income for qualifying.

If the applicant receives no support for a minor child a Certification of Zero Income for Children form must be signed stating that the child receives no child support, SSI or SSA, Disability, etc.

C) Property

1) Property requirements

Each residence must be a single-family unit. Approved units may be detached single family housing, condominiums, townhomes, $\frac{1}{2}$ of a duplex, or a manufactured home on a permanent foundation. Contract for deed is not an eligible form of homeownership in the HOME Program.

The unit may be of new or existing construction. New construction is defined as a residence that has received an initial certificate of occupancy within the last 12 months. Existing construction is defined as a property that has been previously occupied.

2) Required inspections

All properties must pass an inspection in accordance with 92.251 of the HOME final Rule published 7-24-2013.

Lenders should advise real estate agents/sellers that the property must meet inspection requirements by having the seller execute the Seller's Inspection Guidelines form. This document informs the seller(s) of the inspection guidelines that must be met to secure HOME financing. KHRC will contract with inspectors and order a property inspection when the initial document package is approved through confirmation issuance.

3) Flood zones/airport clear zones

No portion of the property being purchased with HOME funds may lie within the one hundred Year Flood Plain. (Flood Zone A, AE, AH, AO, A99, V, and/or VE). This means not only that the structure may not lie within Flood Zone A, but also that no part of the land being financed may lie within these flood zones.

For properties located within 3,000 feet of the end of a civil airport runway or within two ½ miles of the end of a military airfield, the form Notice to Prospective Buyers of Properties Located in Runway Clear Zones and Clear Zones must be signed by the homebuyer.

4) Excess land

The amount of land included in the purchase is limited to the amount that is common and customary for the area. For example, if a property includes two lots 100x200, and all other properties in the area include only one lot 100x200, this property would not be eligible. Lenders should be aware that some urban lots contain segments of more than one subdivided lot, but the overall square footage of the lot is comparable. Compare lot size on the appraisal for compliance.

Property that consists of acreage must be consistent with the size of comparable properties, must not be an income producing property, and in no case shall exceed five acres.

5) Appraisals

A Kansas Licensed Appraiser must perform appraisals, and all appraisals must be dated within 6 months of the date of closing. A complete copy of the appraisal is to be submitted with the closing document package.

6) Manufactured housing

Must be on a poured permanent foundation, connected to permanent utility hook-ups, located on land held in a fee simple title, and meet the construction standard established under [24 CFR 3280](#). Manufactured homes are subject to federal HUD standards, which regulate their design, energy efficiency, and safety; modular homes are subject to local, state, and regional building codes. A "skirted" unit is never considered to be on a permanent foundation.

Manufactured housing is defined as a housing unit having a manufacturer's code beginning with KS + I.D. # which is located at the top of the seal. The buyer(s) must execute a Disclosure of Information on Lead-Based Paint & Lead-Based Paint Hazards.

Processing/Underwriting

A) Processing

1) Loan types

- a) 30-year term fully amortizing, no balloon loans allowed
- b) interest rate must not exceed Freddie Mac's Primary Mortgage Market Survey Rate by more than .65%
<https://www.freddiemac.com/pyms>.
- c) adjustable-rate mortgages are not allowed
- d) interest only loans are not allowed
- e) all loans must be FHA, VA, USDA Rural Development, or conventional loans
- f) buyers may not utilize purchase money from Home Equity Lines of Credit (HELOC)
- g) KHRC's lien must be in Second Mortgage position unless KHRC specifically waived in writing
- h) **KHRC will allow the use of other community second lending programs in combination with the program up to a maximum 40% of sales price. These programs must be approved by KHRC in writing prior to loan closing to ensure subsidy layering guidelines are met.**

2) Subsidy amount

- a) assistance may be provided in the form of a second mortgage loan up to 20% of the purchase price of the home for households earning less than 50% of area median income and 15% of the sales price for households earning more than 50%, but less than 80% of area median income for down payment and closing costs. Maximum assistance is \$40,000.
- b) loans will be underwritten at 0% interest and are forgivable after the owner has lived in the house for 10 years. The subsidy awarded will have two equal parts: an interest-free soft second portion and an interest-free portion. The interest-free soft second portion will be forgiven proportionately over a period of 60 months if less than \$15,000; and 120 months if \$15,000 and over. The interest-free portion of the subsidy will be repaid in full upon the sale of the house at any time within the initial 10-year period.
- c) HUD recapture provisions will apply to homes sold or re-financed without KHRC approval prior to the conclusion of the affordability period.
- d) no monthly payments are required on this loan
- e) KHRC will provide funds for this program through HUD's HOME Investment Partnerships Program (HOME)

3) Buyer's Participation

- a) The buyer must invest 1% of the sale price of their own funds, maximum 10%.
- b) Gifts can be received above the buyer's 1% investment, but not more than 9% of the sale price.
- c) Applicants with non-retirement type assets in the amount of \$10,000, or greater, will be subject to a spend down requirement.

4) Reasonable and customary fees and closing costs may be charged if such compensation payments are fully disclosed to the borrower in accordance with federal, state, and local laws and regulations. KHRC will review the Loan Estimate and Closing Disclosure for unreasonable charges.

- a) Customary lender origination fees (processing and underwriting) are not to exceed the greater of 1.5% of the loan amount or \$3,000.
- b) Reasonable discount points to reduce the interest rate is allowable, if disclosed and agreed upon by the buyer on the Loan Estimate and Closing Disclosure. Lenders typically discuss discount points with the buyer when locking a rate. If points are charged, KHRC may inquire why points are being charged.
- c) FHA, USDA or VA loan typical upfront guarantee or funding fees.
 - a. FHA loans typically have an Upfront Mortgage Insurance Premium (UFMIP) of 1.75% of the loan amount. The annual mortgage insurance premium (MIP) ranges from 0.15% to 0.75% of the loan amount. This fee is charged annually and added to the monthly payment.
 - b. USDA loans typically have an upfront guarantee fee, usually around 1% and an annual fee usually around 0.35%. This fee is charged annually and added to the monthly payment.
 - c. VA loans typically have an upfront funding fee and closing costs that vary based on the borrower's situation.
- d) Appraisal Fee
- e) Credit Report Fee
- f) Flood Certification Fee
- g) Tax or Escrow Settlement Service Fee
- h) Title Recording, Notary, Settlement, Abstract, Courier, Technology, Processing Fees
- i) Homeowner's Insurance
- j) Owner's Title Insurance
- k) Lender's Title Insurance
- l) Second Mortgage (KHRC HOME FTHB) Title Insurance

5) Fees not allowed

- a) No pre-payment penalties (not allowed in Kansas).

6) Co-signers

Co-signers are not allowed under the KHRC program.

7) Non-U. S. citizens

All applicants must be U.S. citizens or lawful permanent resident aliens to be eligible for KHRC financing. The subject property must be the borrower's principal residence. The borrower must have their own valid social security number. The Program may not be utilized if purchasers use a Tax Identification Number (TIN) in lieu of a Social Security Number. It is the lender's responsibility to ensure that the social security number is valid.

8) Preliminary title report

KHRC requires a preliminary title report at the time the loan closing package is submitted. KHRC is required to be listed as an insured lender on the final policy.

9) Surveys

KHRC does not require a survey unless a survey is a requirement of loan underwriting or the title company. In every case, either the title company insuring the title must delete the survey exception, or a survey must be provided.

10) Homeowners insurance

KHRC requires that we be named as an additional insurer on the homeowners' policy and that we be furnished with a copy of the homeowners' policy. The policy must be at least equal to the total of the first and second mortgages. A homeowners' insurance binder must be included with the closing submission package.

11) Commitment letters may NOT be subject to further credit investigation or additional documents needed to verify employment. Lenders may wish to state that the Commitment letter is based on information relied upon by the application and that any changes in employment could or would void this commitment.

12) Use of KHRC Program with other loan programs

The KHRC program may be used in conjunction with other community second programs, or with State sponsored programs. Any program must be submitted to KHRC in advance of closing and must be approved prior to the date of closing. In no case will any seller-funded "not-for-profit" programs be acceptable.

B) Reservations

A fully executed Real Estate Purchase Contract must be provided to the Lender before an application may be submitted. The sales price and final loan amount for this purchase may not exceed the maximum purchase price limit set for the Program. Prior to applying, Lenders will make a preliminary determination that the potential borrower meets the qualifications for the Program: household income, sales price of property to be purchased, etc. All funds will be reserved on an individual first-come, first-served basis at such times as funds are made available. Lenders must follow the application procedures. Send secured email application package to FTHB@kshousingcorp.org.

1) Expirations

Confirmed reservations are valid for 120 days.

2) Extensions

Extensions must be requested by FTHB@kshousingcorp.org.

C) Real Estate Contracts

Sales contracts must be valid, they must be fully executed by all parties who will be conveying title to the borrower(s) and must allow time for loan closing when submitted to KHRC. KHRC requires a copy of the complete sales contract with all addendums. Each buyer executing the Real Estate Purchase Contract must also execute the Disclosure of Information on Lead-Based Paint & Lead-Based Paint Hazards, when applicable. All sellers executing the Real Estate Purchase Contract must also execute the Affidavit of Home Seller and Seller's Inspection Guidelines.

1) Uniform Relocation Act (URA)

[Uniform Relocation Assistance & Real Property Acquisition Policies Act of 1970](#) (URA) (42 U.S.C. 4201-4655) and 49 CFR part 24, requires KHRC to ensure that steps have been taken to minimize the displacement of persons, families, or individuals, because of a residence being purchased with HOME funds.

Therefore, KHRC's URA policy is that the property being purchased cannot have been a rental property in the last three months unless the renter, at application, is the first-time homebuyer, and there was no other renter in the property during the previous three months. No waiver or exceptions may be granted to this policy.

2) Powers of attorney

The Affidavit of Home Seller form, when executed by an Attorney-in-fact, must adhere to all requirements that would apply if the seller themselves were signing. It is the Lenders responsibility to ensure that good title passes to the buyer when a power of attorney is used. In all cases, the power of attorney may only be used if the same power of attorney was utilized to execute the real estate contract.

Use of the power of attorney for a buyer is acceptable under two circumstances:

- a) active-duty military personnel stationed outside of the Continental United States. In this case, a Power of Attorney issued by the Judge Advocate General's office will be acceptable,
- b) buyer is a temporarily or permanently disabled person.

3) Waiver of marital rights

A waiver of marital rights will not be acceptable for execution of documents for the Second Promissory Note and Second Mortgage under this program. Each spouse must sign the mortgage loan application papers and all application and closing papers for the Second Promissory Note and Second Mortgage. All people signing the KHRC documents must occupy the property.

You must calculate the income of both spouses when determining eligibility under the maximum income guidelines, even if a spouse is waving their marital rights for the first mortgage loan. The lender must receive a completed application from the spouse waving their marital rights for the first mortgage. All household income must be considered when determining eligibility for KHRC purposes.

Contact Information

Kansas Housing Resources Corporation (KHRC)

200 SW 6th Ave

Topeka, KS 66603-3704

FTHB@kshousingcorp.org

Phone : 785-217-2044

Fax : 785-232-8073

<https://kshousingcorp.org/first-time-homebuyer>

HUD 24 CFR 5.609

Income Chart

The 24 CFR 5.609 definition of annual income is the gross amount of income received from all sources by each member of the household who is 18 years of age or older, plus unearned income by or on behalf of each dependent who is under 18 years of age, excluding income of a live-in aide, foster child, or foster adult as defined in §§ 5.403 and 5.603, respectively that is anticipated to be received during the coming 12-month period.

1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Self-Employment or Operation of Business	Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations; and Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. When the value of net family assets exceeds \$50,000 (which amount HUD will adjust annually in accordance with the Consumer Price Index for Urban Wage Earners and Clerical Workers) and the actual returns from a given asset cannot be calculated, imputed returns on the asset based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or survivor benefits, and other similar types of periodic payments. Lump-sum amounts for the delayed start of a periodic amount except shall be income at the time they are received.
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay.

6. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from people not residing in the dwelling.
7. Armed Forces Income	All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in Income Exclusions.

HOME Program Income Limits – Updated Each Year

Income limits can be found under Documents-Forms-Resources or
<https://www.hudexchange.info/programs/home/home-income-limits>

HOME Maximum Purchase Price Limits – Updated Each Year

Maximum Purchase Price limits can be found under Documents-Forms-Resources or
<https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value>

Forms

Forms can be found under Documents-Forms-Resources at:
<https://kshousingcorp.org/first-time-homebuyer>

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