Kentucky's Homeowner Assistance Fund

Program Manual
08/08/2023

Contents

Introduction

In March 2021, the U.S. Department of Treasury announced $9.961 billion in funding to provide relief for our country's most vulnerable homeowners affected by COVID-19. The purpose of the Homeowner Assistance Fund (HOAF) is to prevent mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and the displacement of homeowners experiencing financial hardship after January 21, 2020. The law prioritizes funds for homeowners experiencing the greatest hardships by leveraging local and national income indicators to maximize the impact.

The COVID-19, worldwide pandemic caused Kentucky's unemployment rate to jump from 4.2 percent in March 2020 to 16.9 percent in April 2020. As of May 2021, Kentucky's unemployment rate was 4.7 percent, according to the Bureau of Labor Statistics. This figure only represents residents who are actively seeking employment. To date, over 468K cases of COVID-19 have been recorded in Kentucky resulting in over 7,300 deaths. This prolonged period of unemployment and the thousands affected by COVID-19 personally or as care givers are major contributors to homeowners in distress. Responsible families across the country have found themselves unable to pay or maintain their mortgages due to unemployment or reduction in employment income due to COVID-19. Homeowners who have experienced a material loss of income or increase in expenses are at a high risk of foreclosure, particularly in a global pandemic. These homeowners may benefit from assistance until they have restored their income to maintain their mortgage. The HOAF is designed to help keep families in their homes.

This funding is modeled after the Hardest Hit Fund (HHF) which led to a 40 percent reduction in the probability of mortgage default and foreclosure and saved housing finance system participants almost $8 billion in losses. The goal of HOAF is to continue to reduce the probability of mortgage default and foreclosure.

The Commonwealth of Kentucky received just over $85 million to administer the Homeowner Assistance Fund Program (HOAF Program). The maximum allowed homeowner income limit is 150 percent of the area median income. Not less than 60percent of amounts made available to each HOAF participant must be used for qualified expenses that assist homeowners with incomes equal to or less than 100 percent of the area median income or equal to or less than 100 percent of the median income for the United States, whichever is greater. Any amount not made available to homeowners that meet this income-targeting requirement must be prioritized for assistance to socially disadvantaged individuals. Kentucky Housing Corporation's HOAF Program will begin with a pilot launch in late 2021.

Definitions

100 percent of the area median income: for a household means two times the income limit for very low-income families, for the relevant household size, as published by the Department of Housing and Urban Development (HUD) in accordance with 42 U.S.C. 1437a(b)(2) for purposes of the HOAF.

100 percent of the median income for the United States: means the median income of the United States, as published by HUD for purposes of the HOAF.

150 percent of the area median income for a household: means three times the income limit for very low-income families, for the relevant household size, as published by HUD in accordance with 42 U.S.C. 1437a(b)(2) for purposes of the HOAF.

Attestation: The action of being a witness to or formally certifying something; Homeowners will provide an attestation certifying COVID-19 impacted their financial situation.

Assessment: Fees paid by homeowners for unanticipated expenses in living community that participates in a homeowner's association.

Co-Borrower: A person jointly liable on the mortgage loan.

Date of Closing: The date the homeowner executes the HoAF Grant Agreement.

Deed: A written document which shows title or an interest in real property.

Eligible Borrower: A person who can meet all qualifications of the HOAF Program guidelines in force at the time of application and occupies their home as their principal residence.

Eligible Area: All areas of the Commonwealth of Kentucky.

Equal Credit Opportunity Act (ECOA): A federal law that prohibits originators from denying mortgages based on the homeowner's race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

HoAF: Homeowners Assistance Fund designated under the American Rescue Plan of 2021; Kentucky will utilize $85M to assist homeowners in need. Nationally known as HAF. KHC designates differently internally to avoid confusion with its Housing Assistance Fund, also known as HAF.

HOA: Homeowners Association

KHC: Kentucky Housing Corporation, the state housing finance agency, created by the 1972 General Assembly to provide affordable housing opportunities. As a self-supporting, public corporation, Kentucky Housing offers lower-than-market rate home mortgages, housing production financing, homeownership education/counseling, rental assistance, housing rehabilitation, and supportive housing programs for special needs populations.

Maximum Combined Unpaid Principal Balance Limit: The maximum amount of unpaid principal on mortgage liens, not to exceed the limitations described in the HoAF Program guidelines.

Mortgage: The instrument securing a mortgage loan which creates a lien on a residence subject only to permitted encumbrances.

Mortgage Loan: Any loan evidenced by a Mortgage Note which is secured by the related Mortgage for financing a residence.

Mortgage Note: The promissory note, executed by a homeowner, evidencing the obligation to repay a mortgage loan, payable to the order of an Originator.

Non-Borrowing Spouse: A spouse who is not listed on the Mortgage Note as being jointly liable.

Non-Recourse Grant: with reference to any obligation or liability of any person, any obligation or liability for which such person is not liable or obligated other than, if at all, as to its interest in a specifically identified asset only, subject to such limited exceptions to the non-recourse nature of such obligation or liability, such as fraud, misappropriation, misapplication and environmental indemnities, as are usual and customary in like transactions involving institutional lenders at the time of the incurrence of such obligation or liability.

Participating Agency: A counseling agency that agreed to participate in the HOAF Program and completed the HOAF Program Participation Agreement. Participating Agencies receive automatic client referrals through the Protection Center System.

Participating Servicer: A mortgage servicing bank or company that agrees to participate in the HoAF Program. Participating Servicers will receive monthly payments for approved homeowners and will cooperate with monthly program reporting requirements.

PITI: Principal, Interest, Taxes, and Insurance, full monthly house payment. Will also include Homeowner's Association dues, if applicable.

Principal Residence: Housing which the eligible homeowner intends to occupy as a primary residence and which is not to be used in a trade or business, or as an investment property.

Profit and Loss: A statement by a business reflecting a financial gain or loss for a given period.

Protection Center: The Kentucky Homeownership Protection Center (HPC), administered by KHC, provides a centralized location for information on public services to assist Kentuckians in keeping their homes. Homeowners can find information on the foreclosure process, learn about mortgage options, and make informed choices to avoid losing their homes. Homeowners interested in applying for HOAF should contact the Protection Center at www.ProtectMyKYHome.org.

Protection Center System: The Web-based system used by the Kentucky Homeownership Protection Center to track and process homeowners requesting HOAF or other Loss Mitigation or Foreclosure Intervention Counseling.

Protection Center Status Definitions:

InProcess – Status that most new cases go into when they are first entered into the system (used for both HPC and HOAF).

ToKHC – Status that new cases go into that are KHC homeowners (used for both HPC and HOAF).

Reserved – Status after new cases begin showing on HOAF reports and have the maximum dollar amount of assistance set aside from KHC's Money tracker System.

File Received – Status that KHC staff designate when a HOAF file comes to KHC for underwriting. Counselor can no longer make changes to client in system at this status.

Pend – Status after underwriting if additional information is needed.

Approved – HOAF client approved by underwriting.

Denied – HOAF client denied by underwriting.

Servicer Approved – Status after the Servicer Liaison Team gets notice from a servicer that the client is approved, and the servicer will accept payments from KHC.

Servicing – Status when a file is closed; final closing docs are received, and payments are being made.

Complete – Status when HOAF Program funds are either depleted or stopped (client has become reemployed). This is also used under HPC when an outcome is put on the client, and it closes out the case.

Withdrawn – Status when, under HOAF, a client either requests to stop the process and not close or they did not complete/provide required documentation. This removes application from Money tracker. For HPC – it is used if client did not complete/provide required documentation.

Not Eligible – Status when a counselor verifies that the client is not eligible for HOAF and selects a reason. This status removes funds from Money tracker and switches application back to HPC program so counselor can continue to work other options. After switching the program, it automatically changes the status to KHCCancel as well.

Recapture: A provision of the Program which requires the homeowner to pay back all or a portion of the HOAF assistance, mainly due to occurrence of fraud.

Residence: A single-family, owner-occupied unit located within the Eligible Area, including detached and attached units, condominiums, planned unit developments, and manufactured homes attached to a permanent foundation.

SBA: Small Business Act.

Servicing Liaison Team: KHC staff who recruits, enrolls, and communicates with HOAF Participating Servicers and manages the reinstatements and monthly mortgage payments to Participating Servicers.

Socially Disadvantaged: Those people whose ability to purchase or own a home is impaired due to diminished access to credit on reasonable terms as compared to others in comparable economic circumstances based on disparities in homeownership rates in the HOAF participant's jurisdiction as documented by the U.S. Census. The impairment must stem from circumstances beyond their control. Indicators of impairment under this definition may include being a (1) member of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society, (2) resident of a majority-minority Census tract; (3) individual with limited English proficiency; (4) resident of a U.S. territory, Indian reservation, or Hawaiian Homeland, or (5) individual who lives in a persistent-poverty county, meaning any county that has had 20 percent or more of its population living in poverty over the past 30 years as measured by the three most recent decennial censuses.

State: The Commonwealth of Kentucky.

Subordinate Mortgage Loan: Any loan evidenced by a mortgage note, secured by the related mortgage that is recorded after the first mortgage loan and in a subordinate lien position.

Utilities: For HOAF, utilities refer to an organization that supplies the homeowner with electricity, gas, water, propane, or sewerage services.

Archive of Manual Changes

Manual Date	Edits/Additions
7/14/2022	1. Expanded guidance on Income documentation policies. 2. Expanded guidance on utility assistance. Implemented minimum assistance threshold. 3. Created guidance for applications under COVID-Related Increase in Expanses qualifications. 4. Clarified HOAF does not extinguish liens, such as partial claims. 5. Updated the 2022 Fannie Mae Conforming Loan Limit to $647,200.
8/11/2022	Added Section titled HOAF Case Processing
10/11/2022	1. Added section titled Property Taxes 2. Increased maximum assistance from $35,000 to $60,000 to assist more mortgage reinstatements.
2/28/2023	Added Section titled Indirect COVID-Related Financial Hardship
04/18/2023	Added Home Equity Conversion Mortgages to section titled Types of Loans
06/22/2023	1. Updated the 2023 Fannie Mae Conforming Loan Limit to $726,200
08/08/2023	1. Removed "• Zillow.com or other website verifying value" as an option for verifying real property. 2. Added PVA record from the county's website to required documentation for verifying real property.

Structure of the Homeowner Assistance Fund

As part of the Kentucky Homeownership Protection Center (Protection Center), Kentucky Housing Corporation (KHC) will administer the Homeowner Assistance Fund (HOAF) to subsidize 100 percent of an eligible homeowner's delinquent mortgage payments and all other mortgage-related expenses (including subordinate liens and non-escrowed expenses like homeowner's association (HOA) fees, property taxes, and homeowners and/or flood insurance). Homeowners must provide an Attestation stating they experienced hardship due to COVID-19 after January 21, 2020. The Attestation must describe the nature of the COVID-related financial hardship (for example, reduction in income, job loss, illness, caregiving). The HOAF assistance will not exceed a total of $60,000 per household. KHC will make payments directly to the applicable payees, i.e., servicers, HOAs, insurance companies, tax assessors, etc. This mortgage assistance is not to exceed 6-months of mortgage payments or $60,000 total, whichever amount is reached first. Delinquent taxes, HOA fees, and assessments will be paid in a lump sum, one-time payment.

If necessary, up to the maximum assistance amount ($60,000) may be paid upfront to satisfy the homeowner's delinquent balance, to include late fees, penalty interest, taxes, insurance, HOA dues, and protective advances.

Qualified Expenses- Homeowners Assistance Funds

HOAF participants may use assistance from HOAF for qualified expenses to prevent homeowner mortgage delinquencies, mortgage defaults, mortgage foreclosures, and displacements:

Qualifying expenses are outlined below:

1. Mortgage payment assistance, up to 6 months maximum. Only eligible for homeowner's still experiencing the COVID-related financial hardship, not yet recovered.
2. To reinstate a mortgage or pay other housing-related costs related to a period of forbearance, delinquency, or default.
3. Homeowner's insurance, flood insurance, and mortgage insurance
4. HOA fees or liens, condominium association fees, or common charges; and
5. Delinquent property taxes (up to 3 years) to prevent homeowners tax foreclosures.
6. Utility assistance for utilities with delinquent documented by utility bill.

Homeowner Eligibility

Eligibility

Homeowners are eligible to receive assistance if they experienced a COVID-related financial hardship after January 21, 2020, and have incomes equal to or less than 150 percent of the area median income or 100 percent of the median income for the United States, whichever is greater.

Occupancy

Homeowners must occupy the residence as their Principal Residence at the time of hardship and after signing the final grant agreement ("Closing"). KHC may, at its sole discretion, waive this requirement for special circumstance, such as those involving active domestic violence litigation.

Renting, Leasing, Assigning, or Transferring Residence

The homeowner cannot rent, lease, sell, assign, or transfer any interest in the residence to another party or enter into an agreement, understanding, or other arrangement without prior approval of KHC.

Usage of Residence in Trade or Business

The homeowner cannot use the residence as a place of business. No portion of the residence can be specifically designated for any commercial use.

Residence Used for Investment Purpose

The homeowner cannot use the residence as investment property and may not receive any income from the residence or the land.

Residence Used as Vacation, Seasonal, Recreation, or Second Home

The homeowner cannot use the residence as a recreational, seasonal, vacation, or second residence.

Powers of Attorney for the Homeowners

Specific Powers of Attorney are acceptable for closing if the property, grant program and amount are specifically addressed. Prior approval is required by KHC, and a recorded copy will be required prior to closing.

Estate or Probate (Executor)

Specific executor documents (tax bill naming the executor, full executor documents) are acceptable for homeowners assuming responsibility of a home on behalf of a deceased individual.

Limited Liability Corporation

Homeowners who have their home registered as an LLC, must provide documentation of the percentages of business completed at the address and the mortgage statement for assistance. If the homeowner received any other assistance prior to the Homeowner Assistance Fund, they must provide a statement how those funds were used. A home registered as an LLC cannot have a commercial mortgage loan.

Mortgage Loan Eligibility

Permitted Encumbrances

Homeowners who receive HOAF assistance will execute a grant agreement in favor of KHC. The grant will be interest-free and non-amortizing.

Types of Loans

FHA, USDA, VA, conventional, adjustable-rate mortgages, Home Equity Conversion Mortgages, and Habitat for Humanity loans are eligible for assistance.

Servicer(s)

To be eligible for HOAF mortgage assistance, the mortgage(s) must be with a Participating Servicer.

Foreclosure

Participating Servicers will have their own policies in place when working with a homeowner in foreclosure. It will be the decision of each Participating Servicer to approve their grantee.

Bankruptcy

Applicants may be in active or discharged Chapter 7 or 13 bankruptcies to participate in HOAF. KHC does not require the reaffirmation agreement following a Chapter 7 bankruptcy.

Permanent Modifications

If a Mortgage Loan was permanently modified, a qualifying homeowner may use the HOAF to make monthly mortgage payments.

Modification Trial Period

A homeowner in a modification trial period may use HOAF to make trial period payments if the Participating Servicer approves.

Forbearance

A homeowner currently in a forbearance payment arrangement may be approved for HOAF assistance if the Participating Servicer approves. Homeowners who have completed their forbearance periods with a partial claim may not use HOAF to extinguish the partial claim lien.

Reinstatement of Loans

KHC will provide up to the $60,000 maximum assistance to reinstate a mortgage, if needed. The total amount paid may include all outstanding fees required to bring the mortgage current (late fees, attorney fees, PITI, etc.) If the total required to reinstate exceeds the program maximum the homeowner must work with their servicer(s) on the remaining balance.

Property Eligibility

Eligible Grant Area

The Eligible Grant Area is the entire geographic boundaries of the State.

Qualifying Properties

Qualifying properties must be the borrower's Principal Residence and one of the following:

1. Manufactured homes.
2. Detached single-family houses, consisting of no more than one dwelling unit.
3. Attached single-family houses or townhomes; and
4. Units of a "condominium" or units within a "planned unit development" as defined in the Fannie Mae Guide.

Ineligible Properties

Properties not eligible under the HOAF Program are:

1. Rental properties or properties where the homeowner receives income from the residence or land.
2. Properties used for business purposes or with areas specifically designated for commercial purposes.
3. Properties that are recreational, seasonal, vacation, or second homes; and
4. Properties sold by a seller providing mortgage financing to the homeowner in the way of a private mortgage.

Maximum Combined Principal Balances

The unpaid principal balance was not more than the Conforming Loan Limit, at the time of origination.

The Conforming Loan Limit means the applicable limitation governing the maximum original principal obligation of a mortgage secured by a single family residence, a mortgage secured by a 2-family residence, a mortgage secured by a 3-family residence, or a mortgage secured by a 4-family residence, as determined and adjusted annually under section 302(b)(2) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1717(b)(2)) and section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)).

For 2023, Fannie Mae's Conforming Loan Limit is $726,200, as announced in Lender Letter (LL-2021-16).

Socially Disadvantaged Households

The August 2, 2021 published Homeowner Assistance Fund guidance from US Treasury defines socially disadvantaged individuals as individuals with at least one of the following characteristics: (1) member of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society, (2) resident of a majority-minority Census tract; (3) individual with limited English proficiency; (4) resident of a U.S. territory, Indian reservation, or Hawaiian Home Land, or (5) individual who lives in a persistent-poverty county, meaning any county that has had 20 percent or more of its population living in poverty over the past 30 years as measured by the three most recent decennial censuses. In addition, an individual may be determined to be a socially disadvantaged individual in accordance with a process developed by a HOAF participant for determining whether a homeowner is a socially disadvantaged individual in accordance with applicable law, which may reasonably rely on self-attestations. For item (5), an individual who lives in a persistent-poverty county, meaning any county that has had 20 percent or more of its population living in poverty over the past 30 years as measured by the three most recent decennial censuses, KHC has determined the following counties as persistent-poverty counties:

Adair, Bell, Breathitt, Casey, Clay, Clinton, Cumberland, Elliott, Estill, Floyd, Fulton, Harlan, Hart, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Lewis, Magoffin, Martin, McCreary, Menifee, Metcalfe, Monroe, Morgan, Owsley, Perry, Pike, Powell, Russell, Wayne, Whitley, & Wolfe, based on the poverty statistics in the table below.

County	2000 Estimated percent of people of all ages in poverty	2010 Estimated percent of people of all ages in poverty
Owsley	36.9	40.1
Clay	32.2	38
Lee	29.5	37.3
Martin	28.5	36.6
McCreary	29.7	36.5
Knox	27.4	33.9
Harlan	27.6	33.7
Wolfe	32.3	31.8
Morgan	26	31.8
Bell	26.8	30.2
Jackson	24.2	30.2
Floyd	24.8	29.9
Elliott	24.7	29.9
Magoffin	28.6	29.4
Leslie	24.8	29.2
Perry	24.4	28.7
Estill	20.9	28.7
Lewis	23.8	28.4

Menifee	23.4	28.4
Breathitt	28.3	28.3
Wayne	23.4	28.3
Russell	21.2	27.8
Casey	20.8	27.8
Pike	20.5	27.3
Fulton	20.4	27.1
Knott	25.4	26.4
Cumberland	22.6	26.3
Whitley	23.8	26.2
Clinton	22.8	25.4
Hart	20.4	25.3
Powell	20.5	25.2
Monroe	20.2	24.5
Adair	21.5	24
Johnson	22.4	23.4
Letcher	23.1	23.2
Metcalfe	20.3	21.4
Lawrence	23.6	20

Methodology

The 2020 census data on county poverty rates had not yet been released at the time of this report. Additionally, the 2010 data was incomplete. KHC has elected to begin our program using the SAIPE State and County estimates for 2000 and 2010. The 2010 SAIPE county data was complete but again, 2020 data was not yet available. Once the 2020 data is available, we will add that to our county comparison and will adjust as needed.

An important note: while all these sources come from the Census Bureau, there is a difference between the Decennial Census/ACS estimates and the SAIPE estimates. Please be aware they are not the same percentages and SAIPE is not the same thing as a decennial Census survey or the American Community Survey. For example, the 2000 Decennial Census says the poverty rate in Bourbon County was 14 percent, but SAIPE says it was 11.9 percent. This discrepancy is due to the differences in data collection, methodologies, and statistical modeling for each of these types of surveys. Here is an explanation provided by the Census Bureau:

10. How does SAIPE compare to other estimates of poverty and income produced by the U.S. Census Bureau?

The U.S. Census Bureau reports income and poverty estimates from several major national household surveys and programs: The Annual Social and Economic Supplement to the Current Population Survey (CPS ASEC), the American Community Survey (ACS), the Survey of Income and Program Participation, Census 2000 Long Form, and the Small Area Income and Poverty Estimates Program (SAIPE). Each of these surveys differs from the others in some ways, such as the length and detail of its questionnaire, the number of households included (sample size), and the methodology used to collect and process the data. The SAIPE program uses data from a variety of sources, to create statistical models to produce income and poverty estimates. It is

important to understand that different surveys and methods, which are designed to meet different needs, may produce different results. For more information about the various surveys, please visit the following page:
https://www.census.gov/topics/incomepoverty/poverty/guidance/surveys-programs.html

Reporting

KHC will build a report to show socially disadvantaged households served with HoAF. The qualifiers will be the following:

1. Any 1 borrower with race/ethnicity non-white. Those who choose not to respond would not count as non-white for this report.
2. For any borrower with a demographic of white/Caucasian or chose not to respond, if their property is in one of the identified persistent-poverty counties.

At least 60 percent of program funding must serve households at or below 100 percent AMI. Anything between 100.1-150 percent must be priorities toward Socially Disadvantaged Households. KHC will monitor production reports to ensure these thresholds are being met and will adjust the program if necessary.

Underwriting Guidelines

Material Decrease in Income or Increase in Expenses

KHC defines Material Decrease in Income or Increase in Expenses as having experienced at least 10 percent change following date of hardship.

Documenting Reason

The required Attestation must describe the nature of the COVID-related financial hardship (for example, job loss, reduction in income, increased costs due to healthcare, need to care for a family member, COVID death of a wage earner, etc.). Anyone requiring assistance to complete documentation will be offered services as needed including translations and/or limited English proficiency.

Indirect COVID-related Financial Hardship *added 2/13/2023.*

Eligible hardships must be associated with the coronavirus pandemic but not necessarily caused by an individual becoming ill with coronavirus. A hardship that led to **loss of income** such as divorce could be eligible if the stresses of the coronavirus pandemic caused or contributed to the divorce, for example. To substantiate this, the homeowner is required to sign a hardship affidavit attesting that their hardship occurred after January 21, 2020, and was associated with the coronavirus pandemic.

Indirect COVID-related financial hardships would only qualify if the applicant can document a minimum of 10 percent loss of income because of the hardship. Increase in expenses will not qualify under the indirect COVID-related financial hardship category. Please see the section on Documenting Increase in Expenses for more guidance there.

Qualifying Disability

Applicants who have been affected by COVID-19 resulting in disability will provide the date of approval for disability.

Documenting Income Determinations:

One of the following may be used to verify income:

1. Written attestation as to household income together with supporting documentation such as paystubs prior to the January 21, 2020, date and after which demonstrates the impact of the pandemic related event(s),
2. W2s or other wage statements,
3. IRS Form 1099s,
4. 2019 tax filings,
5. Depository institution statements demonstrating regular income, or
6. An attestation from an employer.

KHC may provide waivers or exceptions to this income documentation requirement as reasonably necessary to accommodate extenuating circumstances, such as disabilities, practical challenges related to the pandemic, or a lack of technological access by homeowners; in these cases, the KHC is still responsible for making the required determination regarding household income and documenting that determination.

Current Income Examples

Applicants who receive unemployment benefits will supply a recent check stub showing amount received or proof of direct deposit in the bank account. Applicants who receive maximum unemployment benefit of $415 per week is calculated as follows: $415 X 52 (weeks in a year) / 12 (for a monthly amount) = $1,798.33/month.

Applicants working for less than pre-event income would provide a recent paystub reflecting year-to-date earnings. KHC will average by the number of weeks worked in that year. Use gross earnings, not net.

Applicants who receive some type of long-term or permanent disability award will supply a recent check stub showing amount received or proof of direct deposit.

Applicants must be designated as payee on award letter when job loss is due to disabled child's need for long-term care. If the dependent child is over the age of 18, the applicant must show proof of guardianship.

Pre-event Income Examples

If an applicant worked the entire previous year at the job lost, the previous year w-2 for that job may be used.

If an applicant did not work the entire previous year at the job lost, the counselor may have to average using the number of weeks worked in that year.

If an applicant lost their job in the current or previous one year from application, they do not need to provide 2 years of tax returns, just need W-2's.

If the applicant is self-employed, they must submit the previous two years' Federal tax returns, with all schedules, and provide a year to-date profit and loss statement.

Pre-event income for disabled clients would be the employment income before applicant became disabled.

	Primary Source of Verification	**Secondary Source of Verification**
Unemployment Benefits	• Copy of check stub/bank statement (from homeowner) • Copy of Monetary Determination Letter (From unemployment office, if available)	N/A
Payroll	Pay stubs verifying current and/or past income. For paystubs with crossover pay (December/ January), a full cycle of paystubs excluding the crossover may be required to determine current income.	Current payroll ledger showing employer and employee name, signed, and dated by the employer.
Self-Employment Income	Copy of signed federal tax return including all schedules and W-2s, including 1099, **and** ytd profit/loss.	N/A
Disability Income	Copy of the original award letter—date of original award must be within the previous three-year window.	One month of the most current bank statement showing direct deposit of funds from identifiable source.
Non-Taxable Income	Pay stub or award letters.	Two consecutive months of recent bank statements showing automated deposit from identifiable source.
Temporary Income	Not qualifying income.	N/A

Self-Employment Income

When evaluating income for self-employed applicants, KHC will look at net income only. Net losses are counted as zero earnings. If a homeowner's tax returns reflect net loss one year and a larger net loss the following year in which they claim COVID hardship, both years will be counted as zero earnings and the homeowner would not demonstrate a loss of income.

For schedule C income reporting, the counselors may take the net income and add to that the following deductions on the schedule C:

1. Depreciation
2. Insurance (other than health)
3. Mortgage Paid
4. Repairs and Maintenance
5. Meals for Labor

SCHEDULE F (Form 1040 or 1040-SR)

Department of the Treasury Internal Revenue Service (99)

Profit or Loss From Farming

► Attach to Form 1040, Form 1040-SR, Form 1040-NR, Form 1041, or Form 1065.
► Go to *www.irs.gov/ScheduleF* for instructions and the latest information.

OMB No. 1545-0074 **2019** Attachment Sequence No. 14

Name of proprietor [redacted] [redacted]

A Principal crop or activity CATTLE & TOBACCO [redacted] C Accounting method: [X] Cash [ ] Accrual D Employer ID number (EIN) (see instr.)

E Did you "materially participate" in the operation of this business during 2019? If "No," see instructions for limit on passive losses [X] Yes [ ] No
F Did you make any payments in 2019 that would require you to file Form(s) 1099? See instructions [ ] Yes [X] No
G If "Yes," did you or will you file required Form(s) 1099? [ ] Yes [ ] No

Part I Farm Income—Cash Method. Complete Parts I and II. (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a	Sales of livestock and other resale items (see instructions)	1a			
b	Cost or other basis of livestock or other items reported on line 1a	1b			
c	Subtract line 1b from line 1a			1c	
2	Sales of livestock, produce, grains, and other products you raised			2	60,000.
3a	Cooperative distributions (Form(s) 1099-PATR)	3a	48.	3b Taxable amount	48.
4a	Agricultural program payments (see instructions)	4a		4b Taxable amount	828.
5a	Commodity Credit Corporation (CCC) loans reported under election			5a	
b	CCC loans forfeited	5b		5c Taxable amount	
6	Crop insurance proceeds and federal crop disaster payments (see instructions):				
a	Amount received in 2019	6a	37,000.	6b Taxable amount	37,000.
c	If election to defer to 2020 is attached, check here ► [ ]			6d Amount deferred from 2018	0.
7	Custom hire (machine work) income			7	
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)			8	
9	**Gross income.** Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions ►			9	97,876.

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions.

10	Car and truck expenses (see instructions). Also attach **Form 4562**	10		23	Pension and profit-sharing plans	23	
				24	Rent or lease (see instructions):		
11	Chemicals	11	3,745.	a	Vehicles, machinery, equipment	24a	
12	Conservation expenses (see instructions)	12		b	Other (land, animals, etc.)	24b	
13	Custom hire (machine work)	13	2,500.	25	Repairs and maintenance	25	1,850.
14	Depreciation and section 179 expense (see instructions)	14	7,610.	26	Seeds and plants	26	5,375.
				27	Storage and warehousing	27	
15	Employee benefit programs other than on line 23	15		28	Supplies	28	2,700.
				29	Taxes	29	3,950.
16	Feed	16		30	Utilities	30	
17	Fertilizers and lime	17	7,500.	31	Veterinary, breeding, and medicine	31	
18	Freight and trucking	18		32	Other expenses (specify):		
19	Gasoline, fuel, and oil	19	8,500.	a	CONTRACT LABOR	32a	5,500.
20	Insurance (other than health)	20	7,025.	b	DUES	32b	30.
21	Interest (see instructions):			c	MEALS FOR LABOR	32c	870.
a	Mortgage (paid to banks, etc.)	21a	32,744.	d	CROP INSURANCE	32d	7,500.
b	Other	21b		e	PROFESSIONAL FEE	32e	80.
22	Labor hired (less employment credits)	22		f		32f	

33	**Total expenses.** Add lines 10 through 32f. If line 32f is negative, see instructions ►	33	97,479.
34	**Net farm profit or (loss).** Subtract line 33 from line 9	34	397.

If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.

35 Reserved for future use.

36 Check the box that describes your investment in this activity and see instructions for where to report your loss:
a [ ] All investment is at risk. b [ ] Some investment is not at risk.

For Paperwork Reduction Act Notice, see **the separate instructions.** BAA REV 04/13/20 TTW **Schedule F (Form 1040 or 1040-SR) 2019**

depreciation
meals?
Insurance
Repairs + maintenance
mortgage paid
verified w/ DE NW
Mmmage
dwe
6-7-22

397
+ 32,744
+ 7610
+ 7025
+ 1850
+ 870

50,496 ÷ 12 = $4,208/mos

Hardship Income

For circumstances in which homeowners suffered COVID-related financial hardships that caused delinquencies but have since recovered financially, although the delinquencies still exist, it will be necessary for the homeowner to provide documentation of their earnings during the financial hardship. This will allow the counselor to calculate the impact of the COVID-related financial hardship. Remember, that hardship must equal at least a 10% reduction of income during the hardship.

Homeowners who suffered a temporary financial hardship, related to COVID, but have since recovered the loss income, may be evaluated for reinstatement (mortgages, property taxes, homeowners/flood insurance, HOA's, and utilities) at the time of hardship only.

Documenting Increase in Expenses

Homeowners applying for HOAF assistance under the COVID-related "Increase of Expenses" qualifications must meet the following criteria:

1. Increase in income must be at least 10 percent to meet the qualifications for HOAF assistance.

2. Increase must be sustained, like ongoing medical bills, and directly related to COVID. One-time costs like the purchase of disinfectants and masks, would not qualify for assistance.
3. Homeowner's housing ratio (ratio of total PITI, including HOA, related to gross monthly income) must be at 30 percent or higher to qualify under the increase in expenses hardship.

Note: Inflation or higher costs for gas or groceries, are not qualifiers for HOAF. Homeowners should work with their counselor and servicer to seek other solutions.

Eligible Properties

To be eligible for HOAF assistance, the homeowner's property must be classified as **real** property and have a value determined for reporting purposes to the U.S. Department of Treasury.

One of the following documentation types is required:

- Tax assessment reflecting value of real property.
- Appraisal (no time limit)
- PVA record from the county's website – if an online assessment is not available for that county, the applicant will need to request the tax statement from their county tax authority

Asset Statements

The homeowner's cash reserves cannot exceed six months' principal, interest, taxes, and insurance equal to the first- and second-mortgage payments. Homeowners may use any overage toward their mortgage or other debts to qualify.

Homeowners must provide all statement pages for every account. Account statements may not be older than 120 days when submitted to Underwriting. Credit documents expire 60 days from HOAF grant approval.

Owner Occupancy and Primary Residence

To receive assistance from the HOAF, the homeowner must certify that the property for which they are requesting assistance is their Principal Residence, which is defined as "the property occupied by the homeowner and located in Kentucky." "Owner" is determined by the General Warranty Deed and land sale agreements, where applicable.

To determine that the current property is "owner occupied," the home address on the homeowner's last year's tax return and their current bank statement should match the property. If the homeowner recently acquired the property and their most recent tax returns show a different address, a copy of the Closing Disclosure must be provided to show the purchase occurred after the most recent tax return filing or an appraisal showing "owner occupied" must be supplied with the application.

Owners that are physically out of the residence due to hospitalization related to COVID can have their healthcare surrogate or power of attorney apply for assistance on their behalf by providing appropriate documentation that they are able to make decisions on behalf of the homeowner.

Land Contract Owners

Land Contract owners cannot receive mortgage assistance with HOAF funds. To receive consideration and possible payments for the other HOAF funded program elements, such as non-escrowed property taxes and homeowner's insurance, land contract owners must submit the fully recorded land contract that was in place on or before 01/21/2020 and/or their PVA tax documents. Owner occupancy still applies.

Second Occurrence Allowance

Second occurrences are not allowed under HoAF. Each approved homeowner will not exceed $60,000 in approved HOAF expenses, up to the assistance they need at the time of their application. Homeowners will receive assistance one time regardless of amount/ need. Each approved homeowner is not guaranteed $60,000 individually.

Second Lien Omission

If the second lien holder does not agree to accept payments from the HOAF Program, or if the borrower elects to omit the second mortgage from HOAF Program coverage, the borrower(s) may proceed with the first mortgage.

Homeowner Association Dues

Homeowners that identify they are delinquent on HOA fees and/or assessments may apply to utilize HOAF funds to bring delinquent HOA accounts current. This includes monthly HOA fees, dues, and/or one-time assessments. KHC will provide a one-time payment to the HOA to bring the account current.

Utilities

Homeowners who can verify a COVID-related delinquency on utilities, specifically water, sewer, gas and/or electric, may apply to use HOAF funds to bring delinquent utility accounts current. This includes reinstatement/ connection fees. The assistance will be paid as a one-time reinstatement.

If the past due balance of the utility is less than $300, the homeowner should seek assistance from a community emergency utility assistance provider.

For homeowners who have recovered from their COVID-related financial hardship, HoAF will only reinstate utilities if the delinquency is from the date of the financial hardship. Example: Homeowner A was unemployed due to COVID during 2021. They have since regained employment in 2022, making close to or more than they were making pre-hardship. If the homeowner had entered a repayment plan with their utility provider for the missed payments from 2021, HoAF may be used to reinstate that account to a zero balance. If the homeowner is applying for HoAF to reinstate utility payments missed in 2022, they will be denied assistance. The homeowner should seek utility assistance from community emergency utility assistance providers. This scenario does not fall under the intent of the Homeowner Assistance Fund program.

To document utility request, the most recent copy of the statement for the account must be provided with the HOAF application. The statement must detail a past due balance prior to date of application, meaning the homeowners may not opt to cease payments while in the HOAF processing pipeline. They must demonstrate a past due balance at the time of application.

Furthermore, the statement must contain the name(s) of account holders, property address for service, account number, past due balance, and remittance address. Screenshots from apps do not typically contain all the information needed for the file.

Property Taxes

Homeowners with property taxes (city, county) may utilize HOAF funds to bring the homeowner current. HOAF funds cannot be applied towards delinquencies that occurred prior 2017. For homeowners who are identified as still being in their COVID related hardship, HOAF funds may be used towards current year taxes that are not yet delinquent.

Home Equity Lines of Credit (HELOC)

If the second mortgage is a HELOC, the borrower(s) will acknowledge they are not to make draws on the line of credit if and while receiving monthly HOAF mortgage assistance. Any draws made on the line of credit during that time will terminate HOAF assistance.

Identifying Who MUST Be on HOAF Application

Parties listed as owner(s) on the deed of record have an ownership interest in the property and at least one must be on the HOAF application. Therefore, the owner(s) of the property are an applicant.

Counseling Agency Partnerships

KHC partners with counseling agencies throughout the State. Agencies who participate in the HOAF will be paid $600 for each “Approved” HOAF grant. Payment will be made directly to each Participating Agency in one payment for all “Approved” HOAF applications during that payment period.

To participate, Participating Agencies must be HUD approved housing counselors in prepurchase counseling, but preferably Loss Mitigation counseling as well to provide complete assistance to applicants. Participating Agencies must complete the Homeowner Assistance Fund Counseling Agreement, with all exhibits and HOAF Personnel Profile Sheets to receive a user ID and password to access the Protection Center System. Participating Agencies agree to meet with prospective clients, reserve the HOAF grant, submit the HOAF grant file to KHC in checklist order, and maintain pipelines in the Protection Center System.

Participating Agencies will receive client referrals automatically from the Protection Center System.

HOAF Workflow

Referral

Homeowners will apply through the Team KY Homeowner Assistance Fund Application portal, where they will also upload supporting documentation. This portal will be a link on the Protection Center site. When the application is complete, the case will be assigned to a housing counseling agency through the Protection Center System.

Paper Files

Homeowners that are not able access the portal due to limited technology and/or access email, may request a paper application. The paper application will replicate the Team KY Homeowner Assistance Fund Application portal in its entirety and be securely sent to the homeowner through the US Postal Service. The counselor will only enter the applicant and begin the reservation process in the HPC portal when the full paper application is received. The application will not be uploaded into the PPC portal.

Pre-Screening

The Participating Agency's assigned counselor will complete a HOAF Pre-Screening with the homeowner to determine their eligibility for the HOAF Program. Counselors will proceed to the Protection Center System to reserve the HOAF grant for eligible homeowners. Ineligible homeowners will have the opportunity to pursue other loss mitigation and foreclosure intervention counseling.

Reservation

Counselors will log in to the Protection Center System and complete the case information and applicant screens. On the "Program's screen," enroll in HOAF. Counselors will select the assistance for which the homeowner needs, mortgage assistance/reinstatement, non-escrowed taxes, non-escrowed insurance, past due homeowner's association fees, etc.

HOAF Case Processing **added 8/11/2022.

It is a best practice to keep a list of questions and observations while you are reviewing the file. Unless it's a hard stop issue (not a COVID-related hardship or not owner occupied, etc.), keep that list going until you complete the review. Then you have a compiled a list of items for the homeowner and you to work through.

Once your review is complete, you should follow up with the homeowner by phone to discuss these observations. Once discussed, you can follow up via email, which would also be uploaded through the portal when you mark the file pending/incomplete. You will then update HPC comments: Example: **Reviewed case, discussed outstanding issues with homeowner via phone. Followed up with email, which is uploaded into PPC portal. Homeowner has deadline of August 18th to provide additional documentation.**

View Hardship Application in PPC portal or paper file.

1. Start with the top of the **Income tab**: What is the COVID-related financial hardship? If hardship statement not tied to COVID, call homeowner If you are not able to contact by phone, email the homeowner. If there is no COVID-related hardship, stop here and deny the application. **Change status in PPC to ineligible and select reason from pull down, HPC: Change status to ineligible and document reason in comment tab.**:
2. **2. Pre-screening tab**:

    i. What is date and description of Hardship?
    ii. What is household size and county? What is the HOAF income limit for that county/size—check chart now and make note of income limit?
    iii. Are they the homeowner?
    iv. Which services are they requesting?
3. **Applicant 1 tab**:
    i. Verify name, SSN, DOB, Email, property address, and phone number are all entered correctly in HPC system. Does HPC match PPC data entered?
    ii. Verify household size is entered in HPC.
    iii. Verify contact information (email and phone)
4. Is there an applicant 2? Is their information (everything noted for Applicant 1 above) listed in HPC? If not, add it now.
5. **Employment Tab**
    i. Is employment history listed for at least the past 2 years but longer if needed to document pre-COVID-related hardship?
        1. Note the timeline. Example: Jan 2019-March 2020: XYZ Company; Gap in employment from March 2020 until August 2020. August 2020-Present, ABC Company.
        2. If full employment history is missing, get it from the homeowner(s).
6. **General Tab**: If the applicant has marked that they plan to sell the property, this is a second or investment property, or it is renter occupied/vacant, mark the file ineligible. **Change status in PPC to ineligible and select reason from pull down, HPC: Change status to ineligible and document reason in comment tab.** They must plan to keep the property, it must be primary residence, and owner-occupied to qualify for this program.
7. **Back to Income Tab**: Review the pre-event and current income listed by homeowner. You'll have to calculate it for yourself but make note of their entry. Also note how many income sources have been entered. You'll need to make sure all are accounted for.
8. **Assets tab**: List all accounts entered. Note balance on each. When you review tax returns or paystubs, make sure there are no other accounts listed on direct deposit that are not documented in the portal. If there are other accounts, ask for that statement. **Example: Provide bank statement for account ending in XX1234 (truncate to last 4 digits), as listed on direct deposit for May 2020 paystub**.
    i. On the document review of bank accounts: Is it an official statement? Screenshots from mobile app won't work. Statement must include name(s) of account holders, mailing address, all pages of statements, and name of banking institution.
        1. If there are names on the statements that are not on our application, ask for clarification. Example: Please provide letter of explanation for John Smith, noted on bank statements. Does John reside in the subject property?
        2. Do you have the most current bank statement? If not, ask for it.
        3. Are there any transfers to and from other accounts for which you are missing statements? If so, ask for those statements. If those accounts belong to family members who are giving money to help make ends meet, get that in a letter of explanation from the applicant, preferably signed. All LOX (letters of explanation should be signed if possible).

4. Are there any direct deposits on the bank statements that are not noted in the employment/income tab? If so, document.
5. If there are no bank accounts, get a LOX from homeowner confirming this. Again, make sure there are no direct deposit accounts on paystubs or tax returns as well.
6. What is the total in liquid assets documented?
7. Is there any redacted or crossed out information? If so, ask for an unaltered copy.

9. Mortgage Tab

i. Make sure any mortgage(s) listed here are entered into the HPC Loan tab.
   1. If a KHC mortgage, ask if there was a DAP (Down Payment Loan). Look at the first mortgage statement. KHC's mortgage form from FICS will list the DAP loan number if there is one. Make sure you are getting the DAP information if you are working on a KHC first. 87% of our mortgages include DAP, which is a 10-year term. Very likely to have a second if they have a KHC first.

ii. Review statement. Again, a screenshot from mobile app won't likely work. Statement should list account holder, mortgage servicer name, subject property, account number, past due amount, if any, current principal, interest, taxes, and insurance (PITI) house payment, and current balance.
   1. If subject property on the statement does not match the property in the system, stop and ask the homeowner if this is for a second property not otherwise disclosed.
   2. Do you have the most current mortgage statement? If not, get an update.

iii. Mortgage should be dated prior to hardship date. If the mortgage was made after the date of the financial hardship, then the income from the hardship period was used to qualify for the mortgage and therefore, the mortgage would not be eligible for HOAF assistance.

10. Services Tab:

i. Did homeowner list all the services from the pre-screening tab here? If not, ask them about it. If you need to remove any from the pre-screening tab, update it.

ii. Do you have the most current statements? If not, get them.

iii. Do the statements contain the account holder name, business name, subject property in the service address, current past-due balance, and that balance exceed $300?

iv. Was the homeowner past due on the account at the time of application? **If not, deny that service.**
   1. If that was the only service requested, change status in PPC to ineligible and select reason from pull down, HPC: Change status to ineligible and document reason in comment tab.
   2. If that was not the only service requested, remove that service, and proceed with the remaining requests.

v. Was the past due balance reasonable contributed to the hardship listed? If not, deny that service. If in question, discuss the case with the team lead.

vi. Update all in the HPC system.

vii. If there are any non-participating entities listed, send the contact information to the servicer liaison team. Note this as an item to discuss with the homeowner. The homeowner may opt to remove that service to proceed with the application. Let the homeowner know we will hold the file for 2 weeks to get the service provider onboard but if they opt to hold the file for that provider and if that provider is non-responsive for 2 weeks, move the file to ineligible and the reason being non-participating service provider. It can be revived if/when that provider is active in the program.

11. **Government Monitoring Tab:** update the information in HPC for applicant(s) based on this tab.
12. **Documents Tab:**
    i. Is the State ID/proof of address present for all applicants? If not, get it. If so, verify address matches subject property. If it doesn't find out why.
    ii. Review income documents (paystubs, tax returns, W-2's, etc.). Note the income/employment/hardship timeline previously noted. Start with the pre-event income, then hardship period income, then current income.
    iii. If you don't have enough income documentation to complete these calculations, get it.
        1. For each calculation, if using paystubs, take the gross wages earned (pre-tax and deductions). Look at the period ending if looking a paystub. Using the calendar with weeks numbered, divide gross earnings but that period ending week number. Then multiply by 52 and divide by 12 to obtain an average monthly income.
            a. NOTE: If paystub is salary based on bi-monthly income, use that number. But the presence of the weekly gross formula can detect bonuses paid in the past or raises that have occurred. Be aware if the 2 figures differ.
        2. If using W-2's, if homeowner noted they were employed the entire 12-month period, take Wages, tips, and salaries, and divide by 12.
        3. If using Schedule C business income, review section of HOAF Manual that discusses that calculation.

    iv. Once all calculations are noted and clearly captured in the income worksheet, does homeowner exhibit a material decrease in come, defined as a 10% reduction in earnings? If yes, proceed. If no, deny. **Change status in PPC to ineligible and select reason from pull down, HPC: Change status to ineligible and document reason in comment tab.**
    v. If the material decrease in earnings did occur, is the homeowner still experiencing the material decrease in earnings? If so, make note of it on your review. If not, make note in your review worksheets and HPC Comments that this is a reinstatement only.
13. If the hardship is increase in expenses rather than decrease in income, the following is required: Homeowners applying for HOAF assistance under the COVID-related "Increase of Expenses" qualifications must meet the following criteria:
    4. Increase in income must be at least 10 percent to meet the qualifications for HOAF assistance.

5. Increase must be sustained, like ongoing medical bills related to COVID. One-time costs like the purchase of disinfectants and masks, would not qualify for assistance.
6. Homeowner's housing ratio (ratio of total PITI, including HOA, related to gross monthly income) must be at 30 percent or higher to qualify under the increase in expenses hardship.

Note: Inflation or higher costs for gas or groceries, are not qualifiers for HOAF. Homeowners should work with their counselor and servicer to seek other solutions.

Recap of HPC data that must be updated and accurate before submitted case to Underwriting:

1. Property address
2. Applicant(s) info (applicant 1 and 2, if applicable)
3. Property value
4. DOBs and SSNs
5. Household size
6. Annual Income (NOT MONTHLY)
7. Hardship and Impact complete
8. Loan Data
9. Services requested complete (loan info, utilities, etc.). If you noted in your review that any services requested are not eligible (like a current utility bill that is not past due or less than $300), remove the service from HPC and PPC. Let the homeowner know they will not qualify for that service, but you are proceeding with the Mortgage, etc.

HOAF Underwriting

KHC will underwrite the file and notify the counselor via e-mail if the file is "approved," "denied," or "pended." "Pended" means KHC needs additional information/clarification before a decision can be made on the file. The counselor will upload pended items through the Team KY HOAF portal. Once "pended" items are submitted to KHC, a final decision will be made, and the counselor will receive the decision via e-mail.

HOAF Servicer Approval

Once KHC approves a HOAF grant, KHC's Servicing Liaison Team will submit necessary documents to the Participating Servicer(s) for their final approval of the homeowner. The file is then sent to the Closing Team to order title update. Once the file is "servicer approved," the counselor will be notified by e-mail.

Communication to Applicants

HOAF Personnel should keep applicants updated on the progress of their grant applications. Decisions should be communicated in written format. Copies of Approval, Withdrawal, and Denial letters should be maintained in the grant file and the date letters are sent should be listed in the Comments section of the Protection Center System case file for each applicant.

Closing
KHC's closer will order the draw up all final documents/ closing packet requiring e-signature. The closing package will be sent via DocuSign and will include the Notice of Award and Grant agreement.

Post-Closing
Once the closed HOAF file is returned to KHC, KHC's post closer will review for completion and imaging. Once complete, the file status will change to "To servicing," and the grant is ready for payment to begin to the participating recipients, i.e., servicer(s), property tax officials, insurance entities, and/or HOAs.

Grant Payments to Servicers

Re-instatement Fee
Within ten (10) business days following closing, up to $60,000 can be made to the servicer(s) or other payee(s) to re-instate account(s), if needed. The re-instatement payment will be applied to the first mortgage first. Any remaining funds will then be applied monthly mortgage payments if the homeowner was approved for the monthly mortgage payment assistance.

Monthly Mortgage Payments to Servicers
Monthly mortgage payments will begin the month following closing. For example, a borrower who closes mid-October can expect monthly mortgage payments to begin in November. Payments are made during the first ten (10) business days of each month, not automatically on the first day of the month.

Payments to tax officials, insurance companies, and/or HOA's
Within ten (10) business days following the closing, the one-time reinstatement payment(s) will be processed and paid to any requested property tax, hazard/flood insurance, or HOA entities approved in the file.

Payment to Participating Counseling Agencies
Around the 15th of each month, KHC will pull reports on Approved status HOAF grant for each Participating Agency. Participating agencies will be paid $600 for each "approved" HOAF application from the previous month.

Appeals
If KHC's Underwriting team denies a file for HOAF eligibility, the Participating Agency or borrowers may appeal the decision by writing a letter or email of explanation requesting reconsideration for the HOAF Program and explaining why the denial reasons do not apply. Participating Agencies or borrowers need to gather any additional documentation to support the appeal and submit the appeal to protectioncenter@kyhousing.org within 7 business days. The subject line of the email should read:

"Appeal of HOAF Grant Denial, Last Name, case file #." KHC's Underwriting team will review new information and notify the Participating Agency of the decision by changing the status of the case file in the Protection Center System.

Re-Evaluation

If a homeowner's income increases, the Participating Agency will complete the Re-evaluation Checklist and Invoice. The Participating Agency will determine if the homeowner still demonstrates a need for assistance, as detailed in the underwriting guidelines. If the homeowner is still eligible under the guidelines, HOAF assistance will continue uninterrupted. If the homeowner is found to no longer be eligible for HOAF assistance, KHC will pay two more monthly mortgage payments and then assistance will end. Participating Agencies will be paid $100 for each re-evaluation.

Counseling Agency Pipeline Maintenance

Participating Agencies must maintain their pipelines in the Protection Center System. KHC staff will send monthly reports on HPC and HOAF pipelines for follow-up.

HPC Pipeline

HPC cases are the initial referrals in the Protection Center System that are not yet reserved. Applicants are instructed to complete their applications. Participating Agencies may have their own process detailed for handling new referrals. However, within thirty (30) days of initial entry into the HPC system, the case should be reserved for HOAF or withdrawn for non-compliance due to failure to respond.

KHC staff will send monthly reports of HPC case files older than thirty days with no activity for maintenance.

HOAF Pipeline

Once a HPC case file is reserved for the HOAF Program, the case file will then be moved to the HOAF Pipeline. HOAF grants should close within sixty (60) days of initial reservation. Counselors should submit files for underwriting no later than thirty (30) days from reservation.

KHC staff will send monthly HOAF Pipelines for any case files reserved for thirty (30) days or more, but no file has been sent to KHC and for pended files older than thirty (30) days with no movement.

Miscellaneous Policies

Online Marketing

Participating Agencies are encouraged to market the HOAF Program on their websites. Because the risk of online scammers and copycat websites is a significant threat to consumers seeking assistance with retaining their homes, KHC is providing specific guidelines for online marketing of the HOAF.

In addition to the link information provided by KHC on the Participating Agency Tools page, agencies who choose to market the HOAF Program online should provide on their websites:

- Links to the official US Treasury websites (www.financialstability.gov and www.treasury.gov).
- A statement that HOAF assistance is free of charge; and
- Language encouraging consumers to contact the Office of Compliance within the U.S. Treasury's Office of Financial Stability (OFS Compliance) Antifraud Unit or the Office of the Special Inspector General hotline if fraud, waste, abuse, mismanagement, or misrepresentations affiliated with HOAF is suspected.

Agencies are prohibited from the following when marketing online:

- Using the Homeowners Assistance Fund to solicit other business.
- Making false statements and claims about the HOAF program.
- Inferring that the organization is part of or affiliated with Treasury, other government organizations, or servicers; or
- Use of a federal government organization seals or logos (e.g., Treasury seal, HUD, FHFA).

Conflict of Interest Policy

HOAF Personnel must abstain from any conflict of interests or appearance of conflicts of interest regarding the counseling of applicants. The purpose of this is to protect all the parties involved including, but not limited to the applicants, the counselors, and the Homeowner Assistance Fund Program. KHC considers a conflict of interest to exist when HOAF personnel has any interest in the matter relating to the client or an interest that might compromise the agency's ability to represent fully the best interest of the client.

The following is a non-exhaustive list of examples of actions that could create a conflict or the appearance of a conflict of interest:

a. Receiving any type of fee for referral of applicant (other than HOAF Compensation outlined in this manual).
b. Offering any other fee-based financial services to applicant (e.g., tax preparation, financial planning, bill payments, etc.).
c. Working directly with one's spouse, child, or another close relative.
d. Using a position of trust and authority with the applicant for financial gain.

Agencies must notify KHC in writing of any conflicts of interest that may have occurred as well as what actions were taken in response. Failure to comply with this policy will result in termination of the HOAF Program.

Fraud Policy

KHC recognizes the importance of protecting the organization, its operations, its employees, and its assets against financial risks, operational breaches, and unethical activities. Therefore, it is incumbent upon KHC's Board of Directors and management to institute and clearly communicate the fraud prevention policy to both internal and external customers, vendors, and partners.

KHC recognizes a zero-tolerance policy regarding fraud and corruption. All matters raised by any source will be taken seriously and properly investigated.

This policy covers all KHC employees and officers. Additionally, this policy covers all KHC vendors, customers, and partners to the extent that any KHC resources are involved or impacted.

Fraud is defined as an intentional deception, misappropriation of resources, or the manipulation of data to the advantage or disadvantage of a person or entity. Some examples of fraud include:

- Falsification of expenses and invoices.
- Theft of cash or fixed assets.
- Alteration or falsification of records.
- Failure to account for monies collected; and
- Knowingly providing false information on job applications and requests for funding.

Corruption is defined as the offering, giving, soliciting, or accepting of an inducement or reward that may improperly influence the action of a person or entity. Some examples of corruption include:

- Bribery.
- Conspiracy; and
- Extortion.

Reporting of Fraud or Corruption

Allegations and concerns about fraudulent or corrupt activity may come from various sources including:

- Employees
- Vendors
- Members of the public
- Results of internal or external audit reviews
- Any other interested parties

All employees and officers have a duty to report their concerns or information provided to them about the possible fraudulent or corrupt activity of any officer, employee, vendor, or any other party with any association with KHC. Any person who has a reasonable basis for believing fraudulent or corrupt acts have occurred has a responsibility to report the suspected act immediately.

Concerns should be reported to any of the following:

- Director of Internal Audit
- KHC's General Counsel
- U.S. Department of Treasury
- Anonymous Fraud and Corruption Hotline – Toll free (866) 384-4277

  or on-line through: ethics·point
  https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=5039

Retaliation and retribution will not be tolerated against any employee or officer who reports suspected fraudulent or corrupt activities. However, if an employee is determined to have acted maliciously or with deceit, the employee will be subject to disciplinary action.

All reports will be taken seriously and will be investigated by KHC Internal Audit staff and/or the Legal Services and Compliance Department. If deemed necessary, KHC will notify and fully cooperate with the appropriate law enforcement agency. Any investigation resulting in the finding of fraud or corruption will be referred to the KHC Disciplinary Committee for action. The Disciplinary Committee is composed of KHC's General Counsel, director of Internal Audit, director of Human Resources, and the Chief Executive Officer. Fraudulent or corrupt activities that result in disciplinary action will be reported to the Board of Directors.

Deterring Fraud and Corruption

KHC established internal controls, policies, and procedures to deter, prevent, and detect fraud and corruption.

All new employees, plus temporary and contract employees, are subject to background investigations including a criminal background check. KHC will also verify all applicants' employment history, education, and personal references prior to making an offer of employment.

All vendors, contractors, and suppliers must be active, in good standing, and authorized to transact business in the State. Vendors, contractors, and suppliers are subject to screening, including verification of the individual's or company's status as a debarred party.

All contractual agreements with KHC will contain a provision prohibiting fraudulent or corruptive acts and will include information about reporting fraud and corruption.

KHC employees will receive fraud and corruption awareness training. New employees will receive training as part of orientation at the commencement of employment. All employees will receive fraud and corruption awareness training every two years.

Corrective Action

Final determination regarding action against an employee, vendor, recipient, or other person found to have committed fraud or corruption will be made by the Disciplinary Committee.

Offenders at all levels of KHC will be treated equally regardless of their position or years of service with KHC. Determinations will be made based on a finding of facts in each case, cooperation by the offender, and legal requirements.

Depending upon the seriousness of the offense and the facts of each individual case, action against an employee can range from written reprimand and a probationary period to legal action – either civil or criminal. In all cases involving monetary losses to KHC, KHC will pursue recovery of losses.