

**FIRST-TIME HOMEBUYERS PROGRAM AGREEMENT BETWEEN
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
AND
REACH, INC.**

THIS AGREEMENT, made and entered into on this 22 day of October 2018, by and between **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government pursuant to KRS Chapter 67A, and located at 200 East Main Street, Lexington, Fayette County, Kentucky 40507 (hereinafter referred to as "GOVERNMENT"), and **REACH, INC.**, a Kentucky non-profit corporation pursuant to KRS Chapter 273, and whose mailing address is 733 Red Mile Road, Lexington, Kentucky 40504 (hereinafter referred to as "SUBRECIPIENT".)

RECITALS

WHEREAS, the GOVERNMENT, in accordance with the regulations codified at 24 CFR 92.102 - 92.104 for the HOME Investment Partnership Program, has been designated a PARTICIPATING JURISDICTION by the U.S. Department of Housing and Urban Development (hereinafter referred to as "HUD");

WHEREAS, the GOVERNMENT has been awarded federal funds from HUD's HOME Investment Partnerships Program (CFDA # 14.239);

WHEREAS, the GOVERNMENT'S 2018 Consolidated Plan provides for the allocation of \$60,000 in funds to the SUBRECIPIENT for down-payment assistance for REACH's First-Time Homebuyer's Program for low-income families; \$10,000 of which will come from the GOVERNMENT'S Administrative funds for operation of the First-Time Homebuyer Program;

WHEREAS, the GOVERNMENT is responsible for ensuring that HOME funds are used in accordance with all program requirements; and,

WHEREAS, federal regulations require the PARTICIPATING JURISDICTION to enter into a written agreement with a SUBRECIPIENT ensuring compliance with all applicable federal regulations.

WHEREAS, the SUBRECIPIENT has established a program to assist low income families to become homeowners.

NOW THEREFORE, in consideration of the foregoing and mutually agreed upon promises, conditions, and covenants hereinafter set forth, the GOVERNMENT and the SUBRECIPIENT hereto agree as follows:

ARTICLE I

A. Use of HOME Funds

1. The SUBRECIPIENT agrees to implement a First-Time Homebuyers Program in accordance with the HOME Investment Partnerships Program regulations as stated in 24 CFR Part 92, and in accordance with the guidelines adopted and approved by the GOVERNMENT, which are incorporated herein as Exhibit A, HOME First-Time

Homebuyer Assistance Guidelines, dated May 2016, except as otherwise specified in this agreement and the Program Design adopted and approved by the Government, which is incorporated herein as Exhibit B, REACH HOME Program Design, effective January 1, 2018.

2. SUBRECIPIENT agrees to provide homebuyer down payment assistance to at least 2 households with these funds.
3. SUBRECIPIENT is prohibited from charging servicing, origination, processing, inspection, or other fees for the costs of administering a HOME program, except as permitted by § 92.214(b)(1).

B. *Duration of the Agreement*

The terms of the Agreement shall expire on December 31, 2020.

C. *Request for Disbursements of Funds*

1. The SUBRECIPIENT may not request disbursement of funds until the funds are needed for payment of eligible costs (i.e., down payment assistance). The SUBRECIPIENT agrees that it will submit the information as requested in Exhibit C, HOME Program Loan Approval Form, for the GOVERNMENT to approve a client file for HOME participation, at least 15 business days prior to date of closing. The GOVERNMENT retains the right to amend the form as needed with a 5 day notice. If additional clarifications or additional information is needed to approve the file, the approval will be delayed.
2. The amount of the request of HOME funds will be limited to the amount needed and must be reduced by the amount of any Program Income on hand.

D. *Program Income*

The SUBRECIPIENT agrees to return all Program Income received within 10 days of receipt.

E. *Maximum Per Unit Subsidy*

For eligible first time home buyers below 80% of median income, the maximum home purchase subsidy may be \$20,000 for 1 person households, \$25,000 for households of 2 and \$30,000 for households of 3 or more if needed. The HOME subsidy may be used to fund acquisition costs up to 106% of fair market value to include eligible closing costs. The minimum HOME subsidy cannot be less than \$1,000. All incomes shall be verified within six months of closing. The SUBRECIPIENT shall fully document the need for the subsidy.

F. *Period of Affordability*

SUBRECIPIENT agrees that all housing assisted under the terms of this agreement will meet the affordability requirements in accordance with 24 CFR Part 92.254. The period of affordability shall be a minimum of five years.

G. *Determination of Income*

1. HOME Investment Partnerships Program regulations mandate that all HOME funds expended by a PARTICIPATING JURISDICTION must be invested in housing for low-income families, as defined at 24 CFR 92.2. Generally, this means families with incomes of 80 percent or less of the area median, as adjusted for family size.
2. SUBRECIPIENT agrees to determine the anticipated annual income of all adults in using the Part 5 definition of annual income as defined in 24 CFR 5.609.

H. *Records, Retentions and Reports*

1. The SUBRECIPIENT shall maintain all records required by the federal regulations specified in 24 CFR Part 92.508 that are pertinent to the activities to be funded under this Agreement. Such records shall include but not be limited to the original HOME client files, counseling files, post-closing files, and servicing files.
2. The records must be available for review and maintained for a minimum of five years after the period of affordability has ended and be available when requested in advance by the GOVERNMENT, HUD, Comptroller General, and any of their duly authorized representatives.
3. SUBRECIPIENT agrees to report on an annual basis by July 30 of each calendar year, an Equal Employment Report and an Unserved Report, as incorporated in Exhibit D to this Agreement.
4. SUBRECIPIENT agrees to provide any additional reports as may be required by the GOVERNMENT.

I. *Reversion of Assets*

If applicable, the SUBRECIPIENT shall transfer to the PARTICIPATING JURISDICTION any HOME funds on hand at the time of expiration and any accounts receivable attributable to the use of HOME funds upon expiration of the agreement.

J. *Additional Provisions*

1. SUBRECIPIENT shall be responsible (in the manner and to the extent permitted by law) for all lawfully proven claims, losses, actions, and expenses (including legal expenses), including claims against the GOVERNMENT, arising from the performance of SUBRECIPIENT of the terms of this agreement in accordance with the requirements of the HOME Investment Partnerships Program but excepting any such claims, losses, causes of action and expenses arising as a result of fault on the part of the GOVERNMENT, its officers, agents and employees. SUBRECIPIENT is not responsible for negligent acts of the GOVERNMENT, its officers, agents, and employees.

2. SUBRECIPIENT shall insure that all potential recipients of HOME first-time homebuyer funds receive homeownership counseling, and a minimum of one year post-purchase counseling.
3. As stated in Section 92.254(a)(2)(iii) of the Final Rule published on July 24, 2013, HUD issues annual homeownership value limits for HOME PARTICIPATING JURISDICTIONS. Effective March 1, 2017, the SUBRECIPIENT shall insure that the maximum fair market value for a new unit does not exceed \$224,000 and the maximum fair market value of an existing unit shall not exceed \$152,000 for FY17. This limit remains in effect until HUD issues a new limit.

ARTICLE II: Other Program Requirements

- A. **Discrimination:** Under any program funded in whole or in part with HOME funds, SUBRECIPIENT shall not exclude from participation in, deny the benefits of, or subject to discrimination any person in the United States on the grounds of race, color, national origin, religion, or sex.
- B. **Fair Housing and Equal Opportunity:** SUBRECIPIENT agrees to comply with the requirements of the *Fair Housing Act* (42 U.S.C. 3601-3620) and implementing regulations at 24 CFR Part 100-115; *Equal Opportunity in Housing* (Executive Order 11063, as amended by Executive Order 12259) (3 CFR, 1958-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) and implementing regulations at 24 CFR Part 107; *Title VI of the Civil Rights Act of 1964*, as Amended (42 U.S.C. 2000d et seq) (Nondiscrimination in Federally Assisted Programs) and implementing regulations issued at 24 CFR part 1; and *Age Discrimination Act of 1975*, as Amended (42 U.S.C. 6101-07) and implementing regulations at 24 CFR part 146.
- C. **Handicap Accessibility:** SUBRECIPIENT agrees to comply with the requirements of the Americans with Disabilities Act (42 U.S.C. 12131; 47 U.S.C. 155, 201, 218, and 225); the requirements of *Section 504 of the Rehabilitation Act of 1973* (29 U.S.C. 794) and implementing regulations at 24 CFR part 8.
- D. **Employment and Equal Opportunity:** SUBRECIPIENT agrees to comply with the requirements of *Equal Employment Opportunity, Executive Order 11246 as amended* (3 CFR 1964-65, Comp., p. 339) (Equal Employment Opportunity) and the implementing regulations issued at 41 CFR chapter 60; and, the requirements of *section 3 of the Housing and Urban Development Act of 1968* (12 U.S.C. 1701u).
- E. **Affirmative Marketing:** As it may be applicable, SUBRECIPIENT agrees to comply with the *Affirmative Marketing Plan* as adopted by the GOVERNMENT and as approved by HUD. The Affirmative Marketing Plan is located in the consolidated plan/annual action plan.
- F. **Minority/Women-Owned Businesses:** To the maximum extent possible, SUBRECIPIENT agrees to afford minority- and women-owned business enterprises the opportunity to participate in the performance of this Agreement. As used in this Agreement, the term "minority and female business enterprise" means a business at least fifty-one (51) percent owned and controlled by minority group members or women. For

the purpose of this definition, "minority group members" are African-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians.

- G. **Lead-Based Paint:** SUBRECIPIENT agrees to comply with HUD Regulations governing Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations at part 35, subparts A, B, J, K, M and R of this title for all housing assisted with HOME funds. The SUBRECIPIENT agrees to provide the GOVERNMENT with copies of lead based paint tests, risk assessments, plans for corrections, proof of contractors' certifications of lead-based paint safe work practices training, and clearance tests for all pre-1978 houses being rehabilitated.
- H. **Environmental Review:** The SUBRECIPIENT agrees to provide property addresses to the Government prior to commitment of HOME funds for purposes of completing environmental review requirements under 24 CFR Part 58.
- I. **Uniform Relocation Act:** The SUBRECIPIENT agrees to comply with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) and 49 CFR part 24. Upon request, the SUBRECIPIENT agrees to provide documentation to the GOVERNMENT of previous occupancy of the property to include names of occupants, dates of occupancy, and circumstances of vacancy.
- J. **Conflict of Interest:** The SUBRECIPIENT agrees to comply with the Conflict of Interest rules as identified in 24CFR 85.36 and 24 CFR 84.42, regarding written standards governing the performance of their employees engaged in awarding and administering contracts.
- K. **Accounting Standards and Cost Principles:** The SUBRECIPIENT agrees to comply with 2 CFR 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" and agrees to adhere to the accounting principles and procedures required therein, use adequate internal controls, and maintain necessary source documentation for all costs incurred. Additionally, the SUBRECIPIENT shall administer its program in conformance with 2 CFR 200. These principles shall be applied for all costs incurred whether charged on a direct or indirect basis.

ARTICLE III

- A. The GOVERNMENT agrees to reserve \$50,000 of its HOME funds allocation for use by eligible clients of SUBRECIPIENT in the implementation of a First-Time Homeownership Program.
- B. The GOVERNMENT agrees to monitor the performance of SUBRECIPIENT to assure compliance with all applicable federal regulations; however, monitoring does not relieve SUBRECIPIENT of primary responsibility for compliance.
- C. The GOVERNMENT agrees to prepare and submit any and all required reports to HUD.

- D. The GOVERNMENT agrees to assist SUBRECIPIENT staff in interpreting HOME regulations, resolving eligibility and contract problems, and the inspection of properties to be purchased by prospective clients, to insure those homes meet local housing codes.
- E. The GOVERNMENT agrees to fund approved first-time homebuyers in the form of repayable and non-repayable loans as described in the HOME First-Time Homebuyer Assistance Guidelines, dated May 2016. The Government will prepare and close all HOME loans for the SUBRECIPIENT. The HOME funds must be available at the closing.
- F. Government agrees to provide **\$10,000.00 from its Administrative Funds** to SUBRECIPIENT to support operating costs. These funds will be paid to SUBRECIPIENT upon submission of an invoice, with supporting documentation, excluding indirect costs. The budget for the funds is incorporated in this Agreement as Exhibit E.

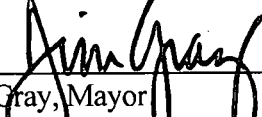
ARTICLE IV

- A. No right, benefit, or advantage inuring to SUBRECIPIENT and no burden imposed on SUBRECIPIENT hereunder may be assigned or otherwise transferred without the prior written approval of the GOVERNMENT.
- B. This agreement or any part hereof, may be amended from time to time hereafter only in writing executed by the GOVERNMENT and SUBRECIPIENT.
- C. This agreement, in accordance with 24 CFR 85.43 can be terminated if the SUBRECIPIENT fails to comply with any term of the agreement. This agreement may be terminated for convenience in accordance with 24 CFR 85.44 upon written notice by the PARTICIPATING JURISDICTION.
- D. The failure to perform or comply with any of the covenants, warranties, terms or conditions as set forth in this agreement shall constitute events of breach and default entitling the GOVERNMENT to take all action set out in this agreement or as otherwise allowed by law, including an action for specific performance.
- E. All notices hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid, return receipt requested, or emailed to the parties at their respective addresses as first set out herein.

[INTENTIONALLY LEFT BLANK. SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Contract at Lexington, Kentucky, the day and year first above written.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

BY: 
Jim Gray, Mayor

DATE: 22 Oct - 2018

ATTEST:


Clerk of Urban County Council

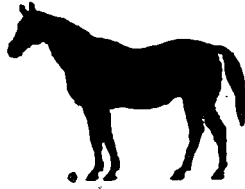
REACH, INC.

BY: 
Tina Burns, Executive Director

DATE: 10/19/18

Exhibit A

**First Time Homebuyer Assistance Guidelines
May 2016**



LEXINGTON

FIRST TIME HOMEBUYER ASSISTANCE GUIDELINES HOME Investment Partnership Program MAY 2016

INTRODUCTION

The Lexington-Fayette Urban County Government (LFUCG) will make HOME funds available to nonprofit corporations for the purpose of developing and operating first-time homeownership programs for low-income households. The government's primary objective in using part of its HOME allocation for first-time homeownership programs is to increase the number of affordable housing units in the community and to increase the opportunities for homeownership for low-income families in Fayette County. In general, the LFUCG will provide HOME funds to approved nonprofits for the purpose of purchasing or rehabilitating existing single-family houses; new construction of single family houses which will be marketed to eligible and qualified first-time homebuyers; and direct assistance to first-time homebuyers for the purchase of new or existing single-family houses. Assistance will be provided to eligible homebuyers under the recapture option.

These guidelines will serve as operational parameters within which the nonprofits can receive HOME funds and provide financial assistance to first-time homebuyers. Hereinafter in this document, nonprofits may be referred to as grantor agencies. In addition to these guidelines, all projects funded under the HOME Investment Partnerships Program are subject to the regulations codified at 24 CFR Part 92.

STATEMENT OF INTENT

The content of this document establishes the operating parameters for all Lexington-Fayette Urban County Government HOME funded first time homebuyer programs. It is the intent of the Lexington-Fayette Urban County Government to provide in each homebuyer case the smallest subsidy necessary to make the purchase possible. As the Lexington-Fayette Urban County Government provides funds for the first time homebuyer programs of several non-profits, it is the responsibility of each non-profit to attract other public and private funds and to minimize the use of HOME funds.

FAIR HOUSING

LFUCG administers a variety of HUD programs and is required to affirmatively further the purposes and policies of the Fair Housing Act, which is Title VIII of the Civil Rights Act of 1968. The Fair Housing Act not only prohibits discrimination, but in conjunction

with other statutes, directs LFUCG to take steps to proactively overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities for all.

Under Consolidated Plan regulations, LFUCG is required to undertake fair housing planning, which consists of the following: 1) an Analysis of Impediments (AI) to fair housing choice; 2) actions to address the identified impediments; and 3) maintenance of records to support the affirmatively furthering fair housing certification.

The Affirmative Marketing Plan is part of the 2015 Consolidated Plan which may be viewed on the LFUCG website at www.lexingtonky.gov.

ELIGIBLE FIRST-TIME HOMEBUYERS

All Applicants for homebuyer assistance must meet the following criteria:

- Be a first time homebuyer (Borrower cannot currently own or have owned a home for at least the last three years)
- Must occupy the home as its principal residence throughout the period of affordability
- Must not have at any time in the past received HOME funding for homebuyer assistance as provided by the LFUCG
- Must have completed 8 hours pre-purchase counseling and homebuyer education through a HUD-certified counseling agency as evidenced by a Certificate/Letter of Completion. In lieu of HUD-certified counseling, LFUCG may approve an alternate counseling program.
- Annual household income, as calculated by HUD regulations at 24 CFR Part 5, must not exceed 80% of the Area Median Income limit for the Lexington-Fayette MSA. The purchasing household must be low income at the time of approval by the Division of Grants and Special Programs, or at the time the HOME funds are invested, whichever is later. Verification of income is required and is good for a period of six months.

Funds are available for any low-income family that has been a resident of Fayette County Metropolitan Service Area for one (1) year which includes: Bourbon, Clark, Fayette, Jessamine, Scott and Woodford Counties. The assisted unit must be located in Fayette County.

ELIGIBLE ACTIVITIES

- New Construction
- Acquisition and rehabilitation of existing vacant single-family residential structures
- Acquisition of an existing unit that meets Housing Quality Standards and local property maintenance code

Nonprofits may use HOME funds to purchase and rehabilitate properties whose after-rehab appraised value is less than actual costs of production only with prior written

approval from the Division of Grants and Special Programs. In cases where the costs for acquisition and rehabilitation are greater than 120% of the after-rehab fair market value, the grantor agency shall document the reasons for excess costs and obtain written permission of the Lexington-Fayette Urban County Government's Division of Grants and Special Programs before proceeding with the project.

The Lexington-Fayette Urban County Government's Division of Grants and Special Programs will evaluate on a case-by-case basis each project in which costs are expected to exceed 120% of the fair market value of the property to determine an acceptable level of excess costs. The LFUCG Division of Grants and Special Programs will consider such factors as location, size, and environmental factors (Examples are presence of lead-based paint and lead-based paint hazards, presence of asbestos and historic preservation requirements) in its evaluation of each property.

INELIGIBLE ACTIVITIES

- Luxury improvements or improvements that exceed the neighborhood standard
- Reconstruction of a unit that was not standing at least 12 months prior to the commitment of HOME funds
- Land acquisition or demolition that does not result in a unit of affordable housing

ELIGIBLE PROPERTIES

The property must be located in Fayette County. Effective May 2, 2016, the value of an existing home may not exceed \$149,000. The value of a new home may not exceed \$228,000. All properties must be appraised by a state licensed or certified appraiser in the Commonwealth of Kentucky prior to purchase.

PROPERTY STANDARDS

New construction of single family units (units that were constructed during the past 12 months) shall comply with the building codes adopted by the LFUCG Division of Building Inspection. Effective January 1, 2014, the 2013 KRC (2012 IRC with 2013 Kentucky Amendments) applies to construction of single family residential buildings.

An existing housing unit (twelve months or older) must meet the Section 8 Housing Quality Standards and the local property maintenance code. In addition, a home inspection is required for all existing homes, by a state licensed inspector. If the property requires rehabilitation LFUCG Building codes apply as well as rehabilitation standards adopted by the LFUCG Division of Grants and Special Programs.

The property type must be a single family property (one unit detached) and deeded as such. Condominiums and duplexes will not be considered.

FORM OF OWNERSHIP

For the purposes of the HOME program, homeownership means ownership in fee simple title.

PERIOD OF AFFORDABILITY

The HOME rule at §92.254(a)(3) requires that all HOME-assisted homebuyer housing be acquired by an eligible low-income family, and the housing must be the principal residence of the family throughout the period of affordability.

The following table outlines the required minimum affordability periods.

If the total HOME investment or direct subsidy in the unit is:	The period of affordability is:
Under \$15,000	5 years
Between \$15,000 and \$40,000	10 years
Over \$40,000	15 years

The mortgage documents and/or deed restrictions must include language detailing the affordability period and the recapture provisions.

AFFORDABILITY CRITERIA

All applicable ratios noted below are based on the Income of the qualifying applicant for a 30 year conventional mortgage. If the qualifying applicant is married, the income of both spouses will be included in determining the ratios even if only one applicant is the qualifying applicant. The monthly expenditure for Principal, Interest, Taxes, and Insurance (PITI) shall not be less than the percentage of gross household income indicated in the table below and shall not be more than 33% of the gross income at the time of loan approval. All applicants should only be provided gap financing based on the maximum amount of mortgage they can repay.

If the homebuyer receives a Housing Assistance Payment (HAP) from HUD's Section 8 Housing Program, the minimum percentages are not applicable for PITI.

Family Size	Minimum PITI %
1	20%
2	19%
3	18%
4	17%
5	16%
6	15%
7	14%
8	13%

The first-time homebuyer may not commit more than 41% of their gross income for total long-term debt. Long-term debt is defined as debt exceeding repayment for more than 6 months, or debt with an outstanding balance of more than \$3,000. The homebuyer will be required to commit to the financing of the purchase of the home, all cash reserves, to include checking and savings accounts, cash on hand, and certificates of deposit, which is in excess of six months of PITI unless pre-approved by the Division of Grants and Special Programs. There is no requirement that first-time homebuyers remain low income after they purchase the property. Increases or decreases in gross income or changes in PITI do not affect the eligibility of a family outside of the six-month period noted in the section on homebuyer eligibility. If homeowner association fees are required, then these will be considered as housing costs and counted along with PITI.

All variances in calculating the required percentages noted above must have prior written approval from the Division of Grants and Special Programs.

Borrower Criteria and Credit Worthiness

Of all criteria used to evaluate the credit worthiness and capacity of a low- and moderate-income borrower, the individual borrower's credit must be the driving determinant factor. Each household will be evaluated on a case-by-case basis in order to determine credit-worthiness.

Income must have a history, be verifiable in the present and be able to be relied upon in the future. Income history must cover at least cover a twelve-month period. It must be verifiable in writing through traditional sources and/or tax returns. Tax returns are only acceptable verification for self-employed persons.

Definition of Household Size and Members: The Household is comprised of ALL individuals who will be occupying the home over the next or upcoming twelve months. The following individuals are not counted as part of the household: foster children, unborn children, children who live with the applicant (parent) less than 50% of the time, children being pursued for legal custody or adoption who are not yet living with the household at the time of application, and non-family care-takers. A child who resides with the household at least 50 percent of the time and receives over 50% of the care from the applicant, can be counted as a household member.

FORMS OF SUBSIDY

- A. *Principal Reduction.* In order to make the monthly carrying cost of PITI affordable to the homebuyer, the Urban County Government will allow HOME funds to be used by the grantor agencies to subsidize units by providing "gap" financing or principal reduction to make up the difference between the market value of the property and a sales price that renders the monthly PITI affordable. A second mortgage shall be placed upon the property by the grantor agency or the Lexington-Fayette Urban County Government. The second mortgage shall provide for the **RECAPTURE** of the HOME subsidy in the event that the homebuyer sells the property, is foreclosed upon by another mortgagee, or ceases to occupy the property as the principal residence.

- B. *Amount of Subsidy.* For eligible first time home buyers below 80% of median income, the maximum home purchase subsidy may be \$20,000 for 1 person households, \$25,000 for households of 2 and \$30,000 for households of 3 or more if needed. The HOME subsidy may be used to fund acquisition costs up to 106% of fair market value to include eligible closing costs. The minimum HOME subsidy cannot be less than \$1,000.
- C. *Development Subsidy.* In the event the total development costs exceed the appraised value, the house may not sell for more than the appraised value. The difference between the total development costs and the appraised value is development subsidy. LFUCG permits eligible grantor agencies to use HOME funds as development subsidy with a minimum of \$1,000 provided as a direct subsidy to the homebuyer. Eligible grantor agencies will be required to submit documentation to LFUCG to support the necessity of a development subsidy. This may include but is not limited to an appraisal and a detailed final cost breakdown.

TERMS

The buyer will be required to invest at least \$500 in cash at the time of closing. The remaining funds needed for closing costs, downpayment, or principal reduction will be provided in the following forms:

- 1) 2% repayable loan for homebuyers between 71% and 80% of median income with a term of 20 years.
- 2) 1% repayable loan for homebuyers between 61% and 70% of median income with a term of 20 years.
- 3) A non-repayable loan for homebuyers at or below 60% of area median income with a term of 20 years. Beginning in year 11, 10% of the loan amount will be forgiven each year.

The monthly repayment amount for any repayable HOME loan will be included in the cap of 33% of gross income for PITI. The Urban County Government will take loan servicing responsibility for repayable loans in the form of receiving and documenting payments, unless otherwise approved in a written agreement. The requirements of private lenders and government regulations must prevail if the terms of the direct loan would violate said requirements and regulations. Any deviations from the terms stated above will require justification and prior approval from the Division of Grants and Special Programs.

Example:

For a 3-person household, the maximum amount of income to be eligible for the HOME Program is \$49,100. The family has two parents who work at jobs earning minimum wage which is currently set at \$7.25 an hour. Their total combined family income is \$30,160. Their PITI must be at least 18% of \$30,160 which is \$452.40 per month.

100% of the area median income for a family of 3 is \$61,375. At \$30,160, the family is making approximately 49% of the Area Median Income. Because the family is below

60% AMI, the family is eligible for a nonrepayable loan that is forgiven starting in year 11.

The family has found a 3-bedroom house listed at \$140,000. A typical mortgage will have a term of 30 years and an interest rate of 4.0%. The base payment is \$668.38 with an additional \$200 a month for taxes and insurance that raises the total payment to \$868.38. The family has met their minimum PITI ratio but has exceeded the maximum PITI ratio of 33%. Therefore, the family has a gap that can be filled with HOME funding. The amount of gap that will be provided will depend on several factors such as the amount of debt. In this scenario, the family has financial obligations of \$250 each month which gives them a back-end ratio of 44.5%, which is well above the maximum of 41%. This family is eligible for up to \$30,000 in HOME funding. If they are given a grant of \$25,000, they now have a base payment of \$549 plus \$200 in taxes and insurance for a total of \$749.03 which is 29.8% of their income. With other financial obligations totaling \$250, their back-end ratio is now reduced to 39.75% which puts them within the allowable financial ratios.

SUBORDINATION

The grantor agency may provide for subordination of the mortgages(s) securing the HOME subsidy only if as identified: (1) if there is no change in the government's mortgage position, total encumbrances cannot exceed 106% of the appraised value of the property; (2) if there is a change to the government's position, third position is the lowest acceptable, and total encumbrances do not exceed 90% of the appraised value (appraiser subject to approval by the LFUCG) and the total long-term debt as defined previously does not exceed 41% of the households and the reason for the subordination is capital improvements for the subject property. The government reserves the right to decline the subordination requests if the terms of the new mortgage are determined to negatively impact the homeowner's financial position.

VIOLATION OF RESTRICTION ON PRINCIPAL RESIDENCE

In the event that the homebuyer ceases to occupy the HOME-subsidized unit as his principal residence during the required period of affordability, the Mortgagee shall provide for foreclosure of the mortgage which secures the HOME subsidy.

INSURANCE REQUIREMENTS

Grantor agencies are responsible for ensuring that HOME units are properly insured during the construction/rehab process. Grantor agencies should also ensure through mortgages that the assisted property remains insured throughout the affordability period. At a minimum, the policy must be in an amount sufficient to cover the HOME investment. If HOME is subordinate to another mortgage, the policy must cover both mortgages. For all home buyer units, either the LFUCG or the grantor agency must be listed as a loss payee on the insurance policy. LFUCG shall contract with a loan servicing agency that has the capacity to purchase forced placed insurance in the event that homeowner fails to maintain coverage.

SECURITY

All properties developed under a HOME-assisted first-time homebuyer program, whether or not the first-time purchaser receiving a repayable or non-repayable loan as described above, will be considered to be HOME-assisted and therefore are subject to all HOME restrictions.

All HOME restrictions regarding the period of affordability and use of property as principal residence during the period of affordability shall be included in the loan agreement, mortgage, and mortgage note, made in favor of the grantor agency or the Lexington Fayette Urban County Government; however, if the unit only receives a Developer's subsidy, then a recorded Deed of Restriction is also required.

The Lexington Fayette Urban County Government must approve all loan agreements, mortgages, mortgage notes, and deed of restrictions (if applicable) for properties assisted under the provisions of these guidelines prior to a grantor beginning a program.

If and when possible, the LFUCG will encourage participating private lenders to include all pertinent HOME requirements in the loan and mortgage documents for the private financing.

ASSUMABILITY OF SUBSIDY

No HOME subsidy mortgage may be assumed during the period of affordability.

USE OF RECAPTURED HOME SUBSIDY

Any HOME funds recaptured by the grantor agency under the provisions of these guidelines shall be returned to the Lexington-Fayette Urban County Government within ten days of receipt, unless otherwise noted in a written agreement.

PROGRAM INCOME

All program income must be reported and returned to the LFUCG within 10 days of receipt, unless otherwise noted in a written agreement.

REPORT TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

The grantor agency shall report all pending property sales, all pending foreclosures (pertaining to events during the period of affordability), and violations of restrictions on use of HOME-assisted properties as principal residences of homebuyers to the Lexington-Fayette Urban County Government within five working days of their knowledge of the action.

HOME RELOCATION REQUIREMENTS

A HOME-assisted homeownership project is subject to relocation requirements under the Uniform Relocation Act (URA). In order to avoid the costs of relocation and to avoid the displacement of persons, the Urban County Government requires that nonprofits purchase only vacant properties or properties which are owner-occupied and are being publicly marketed. An owner-occupant who sells a property is not eligible for relocation assistance under the URA as long as the seller, prior to sale is informed in writing: (1) of the fair market value of the property; and (2) that the buyer does not have the power

of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable sales agreement. The nonprofit will be required to document all steps of the acquisition. If vacant units are purchased, the government will evaluate whether or not the seller removed tenants in order to sell a "vacant" building.

CONFLICT OF INTEREST

All grantor agencies must establish a Conflict of Interest policy that adheres to 24 CFR Part 84.84, and 2 CFR 200, as applicable. Potential conflicts of interest may arise from many situations. Some of the more common examples are:

- Requests for program assistance from employees, families of employees or board members, or families of board members of recipients or sub-recipients
- Recipients or sub-recipients contracting with or procuring materials from employees, families of employees or board members, or families of board members of recipients or sub-recipients.

All HOME grantor agencies are responsible for identifying situations in which a conflict of interest, whether real or perceived, may exist. If a conflict of interest is identified, the grantor agency must seek an exemption before proceeding with the project.

LEAD-BASED PAINT (For all pre-1978 units)

Per 24 CFR Part 35, sellers must disclose to the purchaser or lessee the presence of any known lead-based paint and/or lead-based paint hazards; provide available records and reports; provide the purchaser or lessee with a lead hazard information pamphlet; give purchasers a 10-day opportunity to conduct a risk assessment or inspection; and attach specific disclosure and warning language to the sales or leasing contract before the purchaser or lessee is obligated under a contract to purchase or lease target housing.

All grantor agencies shall ensure that these regulations are followed.

APPLICATION FOR HOMEOWNERSHIP ASSISTANCE

Each grantor agency must develop and use a standard program application form. Each household must complete the standard application form. If necessary, the grantor agency will provide assistance in preparing the form, especially to the elderly, handicapped, limited-English speaking persons and persons who are unable to read and/or write. A Uniform Residential Loan Application is not considered a program application and cannot be used as such under this program.

Each grantor agency shall comply with Title VI of the Civil Rights Act, ensuring that no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance. Each grantor agency shall implement a language assistance program for persons who have limited English proficiency.

HOME INCOME LIMITS

Annual household income must be calculated based on HUD regulations at 24 CFR Part 5 and compared to the most recent HUD Income limits based on HUD estimates of median family income, with adjustments based on family size.

BENEFICIARY AGREEMENT

All prospective first-time homebuyers will receive counseling on the obligations, terms, and conditions associated with a HOME funded property. This counseling will cover how the first-time homebuyer program works and require the potential homebuyer to sign acknowledgement of program guidelines.

Revision History:

F:\WP51\HCD\HCDGEN\2400-001.doc - August 1, 2001

F:\WP51\HCD\HCDGEN\ftbguide803.doc

F:\WP51\HCD\HCDGEN\ftbguide804.doc

Revised March 2007

Revised October 2007

Revised February 2008

Revised May 9, 2008

Revised March 2010

Revised April 28, 2011

Revised April, 25, 2013

Revised February 25, 2014

Revised May 2016

Exhibit B

REACH HOME Program Design

January 1, 2018



REACH HOME Program Design

Effective January 1, 2018

Resource Education and Assistance for Community Housing
733 Red Mile Road
Lexington, Kentucky 40504

(859) 455-8057
(800) 985-9271

www.reachky.com

This program receives HUD HOME Investment Partnerships Program funding administered by the Lexington-Fayette Urban County Government Division of Community Development.



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Agency Overview

REACH, Inc., is a private, nonprofit organization committed to making homeownership more affordable for members of the community. We offer programs to help low- to moderate-income families and individuals become homeowners.

REACH's mission is to help these families and individuals obtain affordable homes and become financially self-sufficient. The agency accomplishes this by providing budget, credit and homeownership education to clients, development as well as down payment and closing cost assistance.

Purpose of the Program

The REACH HOME Program is designed to assist income-eligible, low to moderate income, homebuyers with the purchase of decent, safe and affordable homes. Through this second mortgage loan program, HOME funds are used to assist clients with down payment and closing costs to purchase homes in Fayette County, Kentucky.

The household annual gross income (as defined by HUD regulations 24 CFR Part 5) of the first-time homebuyer may not exceed 80% of the area median. These maximum income limits can be changed by HUD annually. Below are the current income limits by family size.

2018 Maximum Incomes

Family Size	Maximum Income
1	\$39,700
2	\$44,900
3	\$50,500
4	\$56,100
5	\$60,600
6	\$65,100
7	\$69,600
8	\$74,100

Participating households must occupy the property as their principal residence.

The homebuyer assistance program offers financial assistance to applicants who meet Participant Eligibility as described in these guidelines.

For purposes of this document, "program funds" will refer to the HOME Investment Partnership Program (HOME) funds.

No participant shall be excluded from participation, denied REACH program benefits or subjected to discrimination on the basis of race, color, religion, gender, gender identity, sexual orientation, age, disability, marital status, familial status or national origin.

Funding Authority

This program shall be operated in accordance with all applicable HOME Investment Partnerships Program rules and regulations as stated in 24 CFR, Part 92, and the Lexington-Fayette Urban County Government's (LFUCG) programmatic requirements as stated in the First-Time Homebuyers Program Agreement Between LFUCG and REACH, Inc., LFUCG's HOME First-Time Homebuyers Assistance Guidelines (current guidelines as attached to the contract), and local codes and ordinances.

Mortgage Product and Terms

Through the program, clients may be eligible for a deferred or low-interest second mortgage loan for down payment and closing costs. Eligible clients whose incomes are below 80% of the area median income may be eligible for subsidy not to exceed a total of \$20,000 for a household of one, \$25,000 for a household of two and \$30,000 for a household of three or more. The subsidy will be used a "gap" financing to make the HOME invested units more affordable. It will also assists the first-time homebuyers with purchasing power to identify units that are safe and decent that may not require a lot of repairs.

Funds needed for down payment and closing costs will be provided in the following forms:

Interest Rate	Household AMI	Term of Amortized Loan
2%	71% - 80%	20 year Mortgage Term
1%	61% - 70%	20 year Mortgage Term
Deferred Loan	60% and below	20 year Mortgage Term

Method of Registration

Potential applicants contact REACH to register for a program orientation. During the orientation session, participants will learn about REACH and its programs and services; they can ask questions; and they will learn the steps necessary for utilizing the down payment and closing cost assistance from REACH to achieve homeownership.

At orientation, participants will receive a packet of information that includes a Registration Form, Credit Report Application and Credit Report Disclosure. The forms must be completed and submitted to REACH for processing. After the forms have been processed, clients will be sent a letter informing them whether or not they are credit ready to enter the REACH Homeownership Program. If an applicant is deemed eligible, they start into pre-purchase counseling. If applicants do not currently meet the program requirements REACH will encourage them to start into budget and credit counseling to create an action plan to cure their issues. Upon completion of counseling clients will make an application with the program manager to enter into the HOME funded programs.

To be eligible to participate with the REACH HOME funded programs, clients must meet these guidelines:

- 1) Be a first-time homebuyer (bowner cannot currently or have owned a home in the past three years.)

- 2) Must occupy the home as its principal residence through the period of affordability.
- 3) Cannot have at any time in the past received HOME funding for homebuyer assistance as provided by LFUCG.
- 4) Annual household income , as calculated by HUD regulations at 24 CFR Part 5, must not exceed 80 of the Area Median Income for the Lexington-Fayette MSA.
- 5) Must be a resident of a county in the Lexington Metropolitan Statistical Area (MSA) for one year prior to purchasing a home. The MSA includes Bourbon, Clark, Fayette, Jessamine, Scott and Woodford counties.
- 6) Must have a minimum credit score of 600 (all scores on credit report must be at or above 600).
- 7) Must have 3-4 satisfactory credit references (including traditional and/or alternative).
- 8) Total collections, including judgment liens, cannot be more than \$1,200.
- 9) Cannot have filed bankruptcy within last 2 years. If you have filed bankruptcy, it must be discharged for 2 years before you can purchase a home.
- 10) You must meet the debt-income ratio of 33%-41%.
- 11) Must complete 8 hours of pre-purchase and homebuying education.
- 9) Gross household monthly income* must be **at least \$1,400 a month**, and yearly household income must be below the maximum income level for your family size. (There will be an exception to the income requirement for participants in the of Section 8 Housing Choice Voucher and VASH programs.)

Homebuyer Education & Counseling

REACH provides Homebuyer Education & Counseling to ensure clients are knowledgeable and credit ready to purchase a home. To qualify for REACH's financial assistance, clients must complete the agency's Homebuyer Education Curriculum.

The education and counseling is a combination of one-on-one sessions, group workshops, home-study courses or eHome on-line counseling. Clients will learn about creating a household budget and the importance of good credit, as well as how to resolve credit issues, if needed. Clients also will receive education on the home-buying process, which includes obtaining a mortgage loan, shopping for a home, inspections, insurance and closing.

After clients have purchased a home, they will receive post-purchase education & counseling from REACH. During those sessions, home maintenance and predatory lending and foreclosure prevention will be discussed. A minimum of 4 hours of post-purchase education and counseling will be provided to the clients by the agency.

Client Education Responsibilities

All clients must complete the Homebuyer Education Program in which they:

- Work with a housing counselor to become credit ready.
- Verify all collections and resolve all credit issues.
- Create a budget and track their spending.
- Agree not to incur additional debt without approval from REACH's counselors because it may change the client's eligibility to participate in the programs or receive program funding.
- Provide all required documents (i.e., identification, rental information, paycheck stubs, bank statements, divorce papers, tax returns, long-term debt information) and any other documents that will help the clients become credit ready to be approved for a mortgage.
- Provide information about all sources of income.
- Receive a minimum of 8 hours of homebuyer education regarding the process of homeownership and 3 hours of budget and credit counseling or education.

HOME Program Eligibility and Applicant Purchase Responsibilities

General Program Eligibility

The first-time homebuyer is the person who will occupy the property as his/her principal residence. The purchasing household must be at low- or moderate-income status at the time the household initially occupies the property or at the time the HOME funds are invested, whichever is later. Any applicant who meets the program guidelines can participate in the REACH HOME Program.

For a client to be eligible for participation in the REACH HOME Program, the client:

- Must be a resident of Fayette County Metropolitan Service area for one (1) year prior to purchasing a home. The Lexington MSA is defined as the following Counties: Bourbon, Clark, Fayette, Jessamine, Scott and Woodford. The assisted unit must be located in Fayette County.
- Must occupy the home as their principal or primary residence throughout the period of affordability.
- May not have at any time in the past received HOME funding for homebuyer assistance as provided by LFUCG.
- Must be a qualified resident of the United States.
- Cannot have owned a home in the last three years.
- Must be below the maximum income level for the family size (as defined by HUD).
- Must complete REACH's Homebuyer Education Program.

- Must be able to invest a minimum of \$500 of their personal funds into the purchase of the home by the time of closing.
- Must meet the income-debt ratio of 33%-41%. The monthly expenditure for principal, interest, taxes and insurance (PITI) shall not be less than the percentage of gross household income indicated in the table below. The participants maximum PITI shall not be more than 33% of the gross annual income. If the qualifying applicant is married, the income of both spouses will be included in determining the ratios regardless if only one applicant is the qualifying applicant.

Family Size	Minimum Income Percentage Contribution	Maximum Income Percentage Contribution
1	20%	33%
2	19%	33%
3	18%	33%
4	17%	33%
5	16%	33%
6	15%	33%
7	14%	33%
8	13%	33%

- Cannot have filed bankruptcy in the last two years. If the client has declared bankruptcy, the general rule is that it should be discharged for two years before the client can purchase a home. Exceptions will be made on a case-by-case basis when clients are able to obtain non-predatory mortgage products before the bankruptcy has been discharged for two years.

REACH will calculate total gross household income as stated in the HUD regulations at 24 CFR Part 5 to determine income and assets for applicant eligibility. Supporting documentation will be maintained in each applicant's file.

Applicant Purchase Responsibilities

To qualify for assistance from the REACH HOME Program, the client must:

- Complete REACH's Homebuyer Education and Counseling curriculum.
- Meet with the REACH Program Manager to determine their eligibility for the program funds. A recommendation package will be sent to LFUCG for initial set-up for income eligibility. After LFUCG has reviewed determined the client eligible or the program they must visit a bank or lending institution to apply for their mortgage loan. The bank or lending Institution must provide the client with a 30-year fixed rate mortgage and agree to follow REACH's "First Mortgage Customary and Reasonable Financing Costs for the REACH Program."
- Search for a home that is within the client's determined purchase price limits (as calculated by the first mortgage approval, ability to repay the HOME funds and

qualifying ratios). Clients may work with a real estate agent, builder or search on their own for a home.

- Provide updated income information (i.e., paycheck stubs, bank statements) to REACH, as needed, until the closing date.
- First Mortgage lender to provide to REACH an appraisal completed by a State licensed or certified appraiser in the Commonwealth of Kentucky prior to purchase.
- Obtain a full home inspection to be performed by a state licensed inspector.
- Obtain a termite inspection on the property.
- Home must be in compliant by the City Code Review as stated in the "Eligible Properties" sections of the "Terms of Agreement" for the REACH Fayette County HOME Program.
- Obtain homeowners insurance.
- Make no changes in income prior to closing.
- Not incur additional debt prior to closing without approval from the program manager.
- Have no more than six months of funds for the house payments and PITI in checking account, savings account and liquid assets (i.e., certificates of deposit, stocks, bonds, money market accounts). Any cash or liquid assets in excess of the three months of PITI must be applied toward the purchase of the home.

Eligible Properties and Property Standards

The properties to be purchased with HOME funds may be located anywhere in Fayette County. The maximum purchase price for a property purchased through the HOME Program is \$157,000 for existing units and \$228,000 for new constructions.

The property must appraise for at least the purchase price. The maximum appraised value on existing properties is \$157,000 and \$228,000 for new constructions.

The property type must be a single-family property (one unit) and deeded as such. Condominiums, multiplexes, duplexes, mobile homes, manufactured homes and modular homes will not be considered.

The seller must pay a one- percent fee of the sales price to REACH.

Existing properties must meet the Housing Quality Standards and local property maintenance codes. New Construction units shall comply with the building codes adopted by the LFUCG Division of Building Inspection.

The property must meet the Section 8 Housing Quality Standards and the local property maintenance code (City Code review to be performed on the subject property by a qualified inspector at the LFUCG Division of Grants and Special Programs). Any inspections completed by LFUCG are for its benefit and use.

Clients are required to obtain a home inspection (by a licensed home inspector) to fulfill the guidelines of the REACH HOME Program. Clients will be responsible for paying for these services. The completed home inspection report will be forwarded to the appropriate

inspector in the Division of Grants and Special Programs to review.

Forms of Homeownership

Individuals or families applying for homebuyer assistance must be acquiring the property to be their principal residence. For the REACH HOME Program, "homeownership" means ownership in fee simple title.

Acquisition and Relocation

When HOME funds are used for acquisition, it is a requirement that the seller of the property be advised that federal funds will be used in the acquisition of his/her property.

At contract, the seller signs and acknowledges that HOME-assisted projects are subject to relocation requirements under the Uniform Relocation Act (URA). The seller further acknowledges that an owner-occupied property is **not** eligible for relocation assistance under the URA in writing. The pre-contract agreement contains the following information:

- (1) Informs the seller of the fair market value of the property.
- (2) States the buyer does not have the power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable sales agreement.

The seller also acknowledges that the property is currently owner-occupied or vacant. REACH informs all buyers about the relocation requirements under the Uniform Relocation Act. Buyers are aware they can only sign contracts on properties that are vacant, owner occupied or buyer occupied only. No residents will be relocated for a property to be purchased by a REACH client.

Security

All properties developed under a HOME-assisted first-time homebuyer program, whether or not the first-time purchaser is receiving a repayable or non-repayable loan (as described in the "Mortgage Product and Terms" in this Homebuyer Design), will be considered HOME assisted units and will be subject to all HOME restrictions.

All HOME restrictions, including language detailing the period of affordability, recapture provisions and use of property as the principal residence during the period of affordability, shall be included in the loan agreement, mortgage and mortgage note made in favor of the grantor agency (LFUCG).

LFUCG will prepare and provide all loan agreements, mortgages, notes and other applicable documents at the closing for all properties assisted under this program. LFUCG also will be responsible for the servicing of the loans, including subordinations.

Subordination

The grantor agency, LFUCG may provide for subordination of the mortgages securing the HOME subsidy for the following reasons:

- (1) If there is no change in the government's mortgage position; total encumbrances cannot exceed 106% of the appraised value of the property.

- (2) If there is a change to LFUCG's position (third position is the lowest acceptable), total encumbrances do not exceed 90% of the appraised value (appraiser subject to approval by LFUCG), total long-term debt does not exceed 41% for the household, and the reason for the subordination is capital improvements for the property.

LFUCG reserves the right to decline the subordination requests if the terms of the new mortgage are determined to negatively impact the homeowner's financial position.

REACH encourages participating mortgage lenders to include all pertinent HOME requirements in the loan and mortgage documents for the first mortgage financing.

Assumability of Second Mortgage

No HOME subsidy mortgage may be assumed during the period of affordability.

Violation of Restriction On Principal Residence

If the event that the homebuyer ceases to occupy the HOME-subsidized unit as their principle residence during the required period of affordability, LFUCG shall provide for foreclosure of the mortgage which secures the HOME subsidy.

Affordability Period

After an applicant completes homeownership counseling, they attend a HOME session. At this appointment they are counseled on the obligations, terms, period of affordability and conditions associated with a HOME funded property. This counseling will cover how the first-time homebuyer program works and require the potential homebuyers to sign acknowledgement of program guidelines.

The client will sign the Beneficiary Agreement which details the amount of HOME funding they will be eligible for, the repay ability, period of affordability, recapture provisions, defaults and violations of principal residency.

The period of affordability starts once the clients file has been closed out in IDIS. A letter is sent to the client after the file has been closed out that shows the amount of funding invested, property address and the start and end date of the period of affordability.

The period of affordability is determined by the amount of HOME funds invested in the project unit. The table below outlines the required minimum affordability periods:

HOME Investment	Period of Affordability
Under \$15,000	5 years
Between \$15,000 & \$30,000	10 years

Sale Before Expiration of the Period of Affordability

In the event the HOME-subsidized property is sold during the period of affordability, LFUCG shall provide for the **RECAPTURE** of the full amount of the HOME investment.

The **full amount** is defined as follows:

Sales Price – non-HOME first mortgage balance – Seller's closing costs = Net Proceeds

If the Net Proceeds exceeds the original HOME subsidy amount, or the balance on a repayable loan, the excess will be paid to the homeowner.

Under the "Recapture" provisions, if the home is sold prior to the end of the required affordability period, the net sale proceeds from the sale, if any, will be returned to LFUCG and be used for other HOME – eligible activities.

A HOME written agreement, Note, and Mortgage or Deed of Trust will be executed by the borrower and LFUCG that accurately reflects the recapture provisions before or at the time of sale.

Program Marketing

REACH uses various methods of marketing to effectively increase client participation in the REACH HOME Program. One of the most effective tools is word of mouth from satisfied clients. Referrals from clients, real estate agents, loan officers and other partner organizations / programs in the area are major form of marketing for the program.

Other reliable forms of marketing used by REACH will include flyers, brochures and materials distributed at various outreach activities, resource fairs and community fairs. REACH also will utilize publications such as the Lexington Herald-Leader newspaper and area newspapers and media (such as the KEY Newsjournal).

Informational pamphlets about REACH and its programs are sent to area churches, Family Resource Centers at area schools and Community Action Council agencies. Announcements on local radio and cable television channels have proven to be successful marketing tools for REACH, as well as information published in Homes magazines.

Grievance Procedures

This policy and procedure is available to any client who thinks he/or she has been treated unfairly or inappropriately by REACH, Inc.

Distribution of Policy

- a) A copy of this policy shall be provided to any person who requests one.

- b) REACH staff members have the responsibility of informing current and potential clients of the grievance policy and procedures when asked or when a client's statements indicate they desire to pursue a filing of grievance.

Grievance Procedure

- a) Client should seek to resolve any disagreement or dispute with the person(s) involved, whether they are REACH staff members or others associated with the agency.
- b) If the situation is not resolved, the Chief Executive Officer (CEO) will schedule a meeting with the client. The CEO will gather information from the people involved and seek to resolve the situation in a timely manner.
- c) If the CEO is not successful in resolving the issue, the client will be directed to REACH's Board Chairman. The Chairman will work with the Executive Committee of the Board to review documented information and work toward a resolution of the problem situation.
- d) If all in-house attempts to resolve the situation do not work, the client may file a grievance with an agency outside REACH, Inc., for negotiation.

Files, Records and Reporting

1. The agency shall maintain accurate files and records on each applicant as required by 24 CFR Part 92.508.
2. The agency shall refer and recommend to LFUCG eligible clients for repayable and non-repayable reduction loans. Each such referral and recommendation shall include a completed loan application that has been approved for first mortgage financing by a participating lender. Each application shall include income and eligibility verification, fair market value appraisal, credit report and certifications as to the program eligibility of the client and property. REACH will also provide a recommendation as to the amount of the HOME loans and a signed statement from the homebuyer stating that HOME Program requirements were explained to them.
3. REACH shall provide reports and information as required by LFUCG to document compliance with HUD HOME Program Regulations and LFUCG HOME First-Time Homebuyer Assistance Guidelines.
4. If REACH receives information on pending sales and pending foreclosures (within the timeline of the period of affordability), or if the agency receives information on violations of primary residence for the HOME-assisted units, the information will immediately be reported to LFUCG.

Exhibit C

**LFUCG HOME Program Loan Approval
Form**

November 2016

**LFUCG - DIVISION OF GRANTS AND SPECIAL PROGRAMS
FIRST-TIME HOMEBUYERS LOAN APPROVAL
Part 2 – Loan and Closing**

Name of Borrower _____ SS # _____

Name of Co-Borrower _____ SS # _____

Address of home to be purchased _____, *Lexington KY 405* _____

Prime Lender _____ Loan Estimate _____ Commitment _____ Loan Type _____

HOME Program Requirements: URA Waiver (Pre-Contract Agreement) _____

Purchase Price \$ _____ Contract to Purchase _____ Appraisal _____ Amount \$ _____

1st Mortgage Amount \$ _____ New or Existing Home _____ Energy Star? _____ 1st PITI \$ _____

2nd Mortgage Amount \$ _____ 2nd Mortgage term _____ Rate: _____% Monthly Payment \$ _____

Sum of all Mortgages \$ _____ Amount exceeds appraised value by \$ _____ = _____% (Can't exceed 106%)

PITI Between _____% & 33% Of Gross Income? _____ Amount \$ _____ Housing Ratio _____%
(KHC 29% to include third mortgage)

Debt Info _____ = _____

Long Term Debt 41% or Less of Gross Income? _____ Amount \$ _____ DTI Ratio _____%

\$500 Min. Investment? _____ Bank Acct Balance \$ _____ Comments: _____

Code Inspection Date _____ Meets Minimum Code? _____ Comments: _____

Home Inspection Date _____ Borrower Signed? _____ Comments: _____

Environmental Date _____ Title Opinion _____ Comments: _____

SUMMARY

HOME LOAN AMOUNT \$ _____
HOME LOAN MONTHLY PAYMENT AMOUNT \$ _____

COMMENTS: _____

Check Needed by: _____ Contract Closing Date: _____

The HOME Deferred Loan and/or Repayable Loan meets all Lexington-Fayette Urban County Government Program Requirements and is approved for closing.

ADMINISTRATIVE SPECIALIST PRINCIPAL DATE

GRANTS MANAGER DATE

GRANTS MANAGER DATE

IDIS Activity #: _____

Project/Grant: HOME _____

Exhibit D

LFUCG Reporting Forms

-Equal Opportunity Report

-Unserved Persons

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
DIVISION OF GRANTS AND SPECIAL PROGRAMS
EQUAL OPPORTUNITY REPORT**

YEAR ENDING: _____
AGENCY REPORTING: _____
CONTACT PERSON & PHONE: _____
DATE REPORTED: _____
PROGRAM NAME: _____

GRANT RECIPIENT AGENCY

NUMBER OF EMPLOYEES: _____

RACE OF EMPLOYEES: (Must select one, cannot use other)

- _____ *WHITE*
- _____ *BLACK or AFRICAN-AMERICAN*
- _____ *ASIAN*
- _____ *AMERICAN INDIAN or ALASKAN NATIVE*
- _____ *NATIVE HAWAIIAN or OTHER PACIFIC ISLANDER*
- _____ *AMERICAN INDIAN or ALASKA NATIVE and WHITE*
- _____ *BLACK or AFRICAN-AMERICAN and WHITE*
- _____ *ASIAN and WHITE*
- _____ *AMERICAN INDIAN or ALASKA NATIVE and BLACK OR AFRICAN AMERICAN*

ETHNIC CATAGORIES: (These should total the same number reported under Race of Employees)

- _____ *HISPANIC OR LATINO*
- _____ *NOT HISPANIC OR LATINO*

SEX OF EMPLOYEES: _____ FEMALE _____ MALE

ANY EMPLOYEES WITH A DISABILITY? _____ YES OR _____ NO
_____ HOW MANY?

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
DIVISION OF GRANTS AND SPECIAL PROGRAMS
EQUAL OPPORTUNITY REPORT FOR UNSERVED PERSONS**

YEAR ENDING: _____
AGENCY REPORTING: _____
CONTACT PERSON & PHONE: _____
DATE REPORTED: _____
PROGRAM NAME: _____

NUMBER OF PERSONS THAT APPLIED FOR ASSISTANCE BUT WERE NOT SERVED: _____

RACE OF PERSONS: (Must select one, cannot use other)

- _____ *WHITE*
- _____ *BLACK or AFRICAN-AMERICAN*
- _____ *ASIAN*
- _____ *AMERICAN INDIAN or ALASKAN NATIVE*
- _____ *NATIVE HAWAIIAN or OTHER PACIFIC ISLANDER*
- _____ *AMERICAN INDIAN or ALASKA NATIVE and WHITE*
- _____ *BLACK or AFRICAN-AMERICAN and WHITE*
- _____ *ASIAN and WHITE*
- _____ *AMERICAN INDIAN or ALASKA NATIVE and BLACK OR AFRICAN AMERICAN*

ETHNIC CATAGORIES: (These should total the same number reported under Race of Persons)

- _____ *HISPANIC OR LATINO*
- _____ *NOT HISPANIC OR LATINO*

NUMBER OF SINGLE-HEADED HOUSEHOLDS: _____

NUMBER OF ABOVE HOUSEHOLDS THAT HAVE MALE HEAD OF HOUSEHOLD: _____

NUMBER OF ABOVE HOUSEHOLDS THAT HAVE FEMALE HEAD OF HOUSEHOLD: _____

Exhibit E

REACH Admin Budget

REACH HOME First Time Homebuyer Program Admin Budget

Budgetary Implementation FY19

REACH will use HOME Administrative funds in the amount of \$10,000 to support the personnel costs of the Program Manager, Tina Burns and Alyssa McKee, Housing Counselor. Ms. McKee will dedicate approximately 150 hours for the HOME program activities in 2018-2019. Ms. Burns will dedicate approximately 237 hours for the HOME program activities in 2018-2019.

The funds will cover Ms. McKees hourly rate of \$22.38 per hour and Ms. Burns hourly wage rate which is \$28.12 per hour. No fringe benefits will be included in this cost.

REACH processes payroll bi-weekly, through the services of a third party payroll vendor. In addition, REACH employees are required to submit time sheets bi-weekly to document the level of time dedicated to various program related activities. REACH will submit both payroll cost documentation, and employee time sheet records for Ms. McKee and Ms. Burns to support operation funds draw requests submitted to LFUCG.

2019 HOME Admin Budget:

387 hours = \$10,000

Employee	Hours	Rate	Total
Tina Burns	237	28.12	\$6,664.44
Alyssa McKee	150	22.38	\$3,357.00