

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

This First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement (the “First Amendment”) is entered into as of the date set forth on Schedule A attached hereto as the First Amendment Date (the “Amendment Date”), by and among the United States Department of the Treasury (“Treasury”), the undersigned party designated as HFA whose description is set forth in Schedule A attached hereto (for convenience, a “state housing finance agency” or “HFA”) and the undersigned institution designated by HFA to participate in the program described below (“Eligible Entity”).

Recitals

WHEREAS, Treasury, HFA and Eligible Entity entered into that certain Commitment to Purchase Financial Instrument and HFA Participation Agreement (the “Original HPA”) dated as of the Closing Date set forth on Schedule A attached hereto in connection with Treasury’s federal housing program entitled the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (the “HHF Program”), which was established pursuant to the Emergency Economic Stabilization Act of 2008 (P.L. 110-343), as amended, as the same may be amended from time to time (“EESA”);

WHEREAS, on September 24, 2010 Treasury indicated that it would make \$3.5 billion of additional assistance available under the HHF Program for foreclosure prevention programs for homeowners struggling to make their mortgage payments in certain states that had previously received HHF Program funding for such purposes;

WHEREAS, Treasury desires to increase the available HHF Program funds available to Eligible Entity and as such, Treasury, HFA and Eligible Entity wish to enter into this First Amendment to document all modifications and additional provisions necessary to address the additional HHF Program funds;

Accordingly, in consideration of the representations, warranties, and mutual agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Treasury, HFA and Eligible Entity agree as follows.

Agreement

1. Amendments

A. Definitions. All references in the Original HPA to the “Agreement” shall mean the Original HPA, as amended by this First Amendment; and all references in the Original HPA to Schedules A or B shall mean the Schedules A or B attached to this First Amendment. All references herein to the “HPA” shall mean the Original HPA, as amended by this First Amendment.

B. Schedule A. Schedule A attached to the Original HPA is hereby deleted in its entirety and replaced with Schedule A attached to this First Amendment.

C. Schedule B. Schedule B attached to the Original HPA is hereby deleted in its entirety and replaced with Schedule B attached to this First Amendment.

2. Representations, Warranties and Covenants

A. HFA and Eligible Entity. HFA and Eligible Entity, each for itself, make the following representations, warranties and covenants to Treasury and the truth and accuracy of such representations and warranties and compliance with and performance of such covenants are continuing obligations of HFA and Eligible Entity, each as to itself. In the event that any of the representations or warranties made herein cease to be true and correct or HFA or Eligible Entity breaches any of its covenants made herein, HFA or Eligible Entity, as the case may be, agrees to notify Treasury immediately and the same shall constitute an Event of Default under the HPA.

(1) HFA and Eligible Entity each hereby certifies, represents and warrants as of the date hereof that each of the representations and warranties of HFA or Eligible Entity, as applicable, contained in the HPA are true, correct, accurate and complete in all material respects as of the date hereof. All covenants of HFA or Eligible Entity, as applicable, contained in the HPA shall remain in full force and effect and neither HFA, nor Eligible Entity is in breach of any such covenant.

(2) Eligible Entity has the full corporate power and authority to enter into, execute, and deliver this First Amendment and any other closing documentation delivered to Treasury in connection with this First Amendment, and to perform its obligations hereunder and thereunder.

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

3. Administrative Expenses

Notwithstanding anything to the contrary contained in the Original HPA as amended by this First Amendment, HFA and Eligible Entity may from time to time submit adjusted budgets to Treasury requesting approval to re-allocate HHF Funds to pay actual program expenses as set forth on a proposed Schedule C. In the event that Treasury shall approve an adjusted budget, in Treasury's sole discretion, the parties shall enter into an amendment to the HPA to modify Schedules A, B and C as necessary.

4. Miscellaneous

A. The recitals set forth at the beginning of this First Amendment are true and accurate and are incorporated herein by this reference.

B. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the HPA.

C. Any provision of the HPA that is determined to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of the HPA, and no such prohibition or unenforceability in any jurisdiction shall invalidate such provision in any other jurisdiction.

D. This First Amendment may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile or electronic copies of this First Amendment shall be treated as originals for all purposes.

[SIGNATURE PAGE FOLLOWS; REMAINDER OF PAGE
INTENTIONALLY LEFT BLANK]

In Witness Whereof, HFA, Eligible Entity and Treasury by their duly authorized officials hereby execute and deliver this First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement as of the Amendment Date.

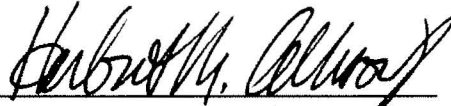
HFA:

KENTUCKY HOUSING CORPORATION

By: _____
Name:
Title:

TREASURY:

UNITED STATES DEPARTMENT OF THE
TREASURY

By: 
Name: Herbert M. Allison, Jr.
Title: Assistant Secretary for
Financial Stability

ELIGIBLE ENTITY:

KENTUCKY HOUSING CORPORATION

By: _____
Name:
Title:

In Witness Whereof, HFA, Eligible Entity and Treasury by their duly authorized officials hereby execute and deliver this First Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement as of the Amendment Date.

HFA:

KENTUCKY HOUSING CORPORATION

By: /s/ Richard L. McQuady
Name: Richard L. McQuady
Title: Chief Executive Officer

TREASURY:

UNITED STATES DEPARTMENT OF THE
TREASURY

By: _____
Name: Herbert M. Allison, Jr.
Title: Assistant Secretary for
Financial Stability

ELIGIBLE ENTITY:

KENTUCKY HOUSING CORPORATION

By: /s/ Richard L. McQuady
Name: Richard L. McQuady
Title: Chief Executive Officer

EXHIBITS AND SCHEDULES

Schedule A Basic Information
Schedule B Service Schedules

SCHEDULE A
BASIC INFORMATION

Eligible Entity Information:

Name of the Eligible Entity:	Kentucky Housing Corporation ¹
Corporate or other organizational form:	independent, <i>de jure</i> Municipal Corporation
Jurisdiction of organization:	Kentucky
Notice Information:	

HFA Information:

Name of HFA:	Kentucky Housing Corporation ¹
Organizational form:	independent, <i>de jure</i> Municipal Corporation
Date of Application:	September 1, 2010
Notice Information:	Same as notice information for Eligible Entity.

<u>Program Participation Cap:</u>	\$148,901,875.00
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<u>Portion of Program Participation Cap Representing Unemployment HHF Funds:</u>	\$55,588,050.00
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<u>Permitted Expenses:</u>	\$9,959,865.49
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<u>Closing Date:</u>	September 23, 2010
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<u>First Amendment Date:</u>	September 29, 2010
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¹ References in the Agreement to the term "HFA" shall mean the Kentucky Housing Corporation ("KHC") in its capacity as HFA as such term is used in the Agreement; and references in the Agreement to the term "Eligible Entity" shall mean KHC, in its capacity as Eligible Entity as such term is used in the Agreement.

Eligible Entity Depository Account Information: See account information set forth in the Depository Account Control Agreement between Treasury and Eligible Entity regarding the HHF Program.

SCHEDULE B

SERVICE SCHEDULES

The Service Schedules attached as Schedule B to the Original HPA are hereby deleted in their entirety and replaced with the attached Service Schedules (numbered sequentially as Service Schedule B-1, Service Schedule B-2, et. seq.), which collectively comprise Schedule B to the HPA.

SERVICE SCHEDULE B-1

KENTUCKY HOUSING CORPORATION

KENTUCKY UNEMPLOYMENT BRIDGE PROGRAM

Summary Guidelines

1. Program Overview	<p>The Kentucky Housing Corporation's (KHC) Kentucky Unemployment Bridge Program (UBP) will provide funds to lenders and servicers on behalf of qualified homeowners who are delinquent on their mortgage payments or anticipate default due to unemployment or substantial underemployment (loss of income). Maximum assistance per household is set at \$10,000.</p> <p>There is a time limit of 12 months for households to utilize the assistance – assistance ends at the earlier to occur of 12 months from the loan closing or receipt of \$10,000 in assistance, so long as other conditions of eligibility are met and continue. Funds will be available on a first-come/first-served basis.</p> <p>Borrowers will enter the UBP through the statewide Homeownership Protection Center operated by KHC. Applications will be processed by housing counseling agencies who will return the application to KHC for final underwriting, loan closing, disbursements and loan servicing. Borrowers will not be required to make any portion of the monthly payment. If a household qualifies for the UBP, program funds will be used for 100 percent of the monthly payment.</p>
2. Program Goals	<p>To prevent avoidable foreclosure for homeowners who have experienced loss of income due to unemployment or substantial underemployment by providing funds to pay the household's mortgage payments during the period of unemployment/underemployment and for two months after re-employment, if needed, up to the maximum dollar threshold for assistance of \$10,000.</p>
3. Target Population / Areas	<p>The UBP will be available statewide. No specific population is targeted. During the first 12 months of the UBP, \$10,000,000 will be set aside to serve rural counties.</p>
4. Total Allocation (Excluding Administrative Expenses)	<p>\$138,942,009.51</p>

<p>5. Borrower Eligibility Criteria</p>	<p>All borrowers must submit a hardship affidavit documenting inability to pay their mortgage.</p> <p>Housing counselors and KHC will determine eligibility for the UBP. Eligible households must meet <u>ALL</u> of the following requirements:</p> <ul style="list-style-type: none"> • The homeowners must be legal U.S. residents. • The financial hardship (loss of employment income) must have occurred after January 1, 2009. • Monthly payment of principal, interest, taxes and insurance (PITI) including both first and second lien mortgages must exceed 31 percent of the borrower’s monthly gross income at time of application for the HHF funds, including any unemployment benefits. • The homeowner’s cash reserves cannot exceed six months, excluding retirement. For purposes of the UBP, “cash reserves” includes reasonable and sufficient funds (as defined by the Internal Revenue Service Financial Collection Standards) for the payment of food, clothing, housekeeping supplies and miscellaneous household expenses, out-of-pocket health care expenses, utilities, child care and transportation. • The homeowner must be experiencing a financial hardship due to involuntary loss or reduction in employment income documented by an executed hardship affidavit. Unemployment or underemployment as the result of a documented short-term disability will also qualify. • Payments due on the homeowner’s mortgage(s) must have been current for 12 months preceding the unemployment and/or underemployment event. • The homeowner must agree to provide monthly verification of continued program-qualifying financial hardship due to unemployment or substantial underemployment during the term of UBP participation. • The homeowner must be currently seeking employment and/or participating in a job training/educational program with the goal of obtaining employment during the term of assistance.
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<p>6. Property / Loan Eligibility Criteria</p>	<p>Property/Loan Eligibility Requirements:</p> <ul style="list-style-type: none"> • Owner-occupied primary residence located in Kentucky. • Combined loan-to-value cannot exceed 125% and a maximum of \$275,000. • Existing single-family homes or condominiums (attached or detached) and manufactured or mobile homes on foundations permanently affixed to real estate owned by the borrower.
<p>7. Program Exclusions</p>	<p>A household is not eligible for the UBP if:</p> <ul style="list-style-type: none"> • Borrower's total unpaid principal balances exceed \$275,000, including first and second mortgages combined. • Borrower owns other real property • Borrower's hardship is a result of voluntary resignation of employment or voluntary reduction in hours or income. • Borrower has consummated a cash-out refinance after January 2009, unless the proceeds were used for improvement of the subject property or for debt consolidation (KHC reserves the right to make a final determination in all cases). • Borrower's application is for a second home or investment properties. • Borrower is participating in or eligible for other loss mitigation options. • Borrower does not occupy the property as its primary residence. • Borrower's present household income is sufficient to pay mortgage expenses (mortgage payment does not exceed 31 percent of gross income). <p>The UBP will not fund job training costs.</p>

<p>8. Structure of Assistance</p>	<p>All assistance will be structured as a 0% interest, non-amortizing, forgivable, nonrecourse loan, secured by a junior lien on the property, which will be forgiven 20 percent each year over five years.</p> <p>The loan will only be repayable if the borrower sells the property before the period expires and there is sufficient equity to pay the loan.</p> <p>All funds returned to the UBP may be recycled until December 31, 2017, thereafter they will be returned to Treasury.</p>
<p>9. Per Household Assistance</p>	<p>Estimated Median - \$8,000 Maximum Assistance - \$10,000</p>
<p>10. Duration of Assistance</p>	<p>Payment of assistance will end on the first to occur of: (1) 12 months from assistance loan closing date, (2) two months after re-employment, (3) the expenditure of the maximum amount of assistance (\$10,000) or (4) the household no longer complies with other required program provisions.</p> <p>In the case of a new qualifying event of unemployment or underemployment, the household may re-apply for assistance. Provided, however that new assistance will be made available only to the extent assistance is available, up to the maximum total assistance for the household and the maximum time period for assistance has not been exhausted.</p>
<p>11. Estimated Number of Participating Households</p>	<p>KHC is estimating that between 4,500 and 5,700 households will be served over the term of the UBP.</p>
<p>12. Program Inception / Duration</p>	<p>KHC will implement the UBP in two stages, with the first loan closings expected within 90 days after approval by Treasury. This first phase of the UBP will serve as a pilot period. Full implementation to all qualified borrowers statewide would be within 180 days of approval of the plan by Treasury and is anticipated to last three years.</p>
<p>13. Program Interaction with Other Programs (e.g. other HFA programs)</p>	<p>The UBP will be leveraged with existing programs including the Homeownership Protection Center (HPC), the Homeownership Education and Counseling Program funded through HUD and KHC and the NeighborWorks Foreclosure Mitigation Counseling Program (NFMC). Homeowners who participate in the UBP will work with a KHC-approved counselor and utilize the Homeownership Protection Center website for their initial information.</p>

14. Program Interactions with HAMP	KHC and housing counselors will assist borrowers in ensuring households will have used all other loss mitigation options, including HAMP UP, before being eligible for UBP funds. HHF funds will only be used to pay for counseling that is necessary and incidental to participation in the UBP program.
15. Program Leverage with Other Financial Resources	No investor match is required for this program. This program will not be combined with other financial resources.
16. Qualify as an Unemployment Program	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No