

198A.250 Loans to mortgage lenders for residential mortgage loans -- Rules and regulations.

- (1) The corporation may make loans to mortgage lenders for the purpose of furnishing funds to such mortgage lenders to be used for making residential mortgage loans.
- (2) The corporation shall from time to time adopt, modify, amend or repeal rules and regulations governing the making of loans to mortgage lenders and the use of the proceeds thereof, including rules and regulations as to any or all of the following:
 - (a) Procedures for the application or submission of requests for loans to mortgage lenders;
 - (b) Standards and requirements as to allocations of loans among all or certain of the mortgage lenders or awards of loans and determining the amounts and interest rates thereof;
 - (c) Limitations or restrictions as to the number of family units, locations or other qualifications or characteristics of residential housing to be financed by residential mortgage loans;
 - (d) Restrictions as to the interest rates on residential mortgage loans or the return realized therefrom by mortgage lenders;
 - (e) Requirements with respect to the application of the proceeds of loans to mortgage lenders, including the time within which the proceeds of any such loan must be committed and disbursed for residential mortgage loans;
 - (f) Schedules of any fees and charges necessary to provide for expenses and reserves of the corporations; and
 - (g) Any other matters related to the duties and the exercise of the powers of the corporation under this section.

Such rules and regulations shall in each case be designed to effectuate the general purposes of this chapter and the following specific objectives: (i) the expansion of the supply of funds in the state available for residential mortgage loans; (ii) the provision of the additional residential housing needed to remedy the shortage of adequate housing in the state and to eliminate the existence of a large number of substandard dwellings; and (iii) the effective participation by mortgage lenders in the program authorized by this chapter and the restriction of the financial return and benefit thereto from such program to that necessary and reasonable to induce such participation.

- (3) The obligation to repay loans to mortgage lenders shall be general obligations of the respective mortgage lenders and shall bear such date or dates, shall mature at such time or times, shall be evidenced by such note, bond or other certificate of indebtedness, shall be subject to prepayment and shall contain such other provisions consistent with this section, all as the corporation shall by resolution determine.
- (4) Any other provision of this section to the contrary notwithstanding, the interest rate or rates and other terms of the loans to mortgage lenders made from the proceeds of any issue of bonds of the corporation shall be at least sufficient to assure the payment of said bonds and the interest thereon as the same become due from the

amounts received by the corporation in repayment of such loans and interest thereon.

- (5) The corporation may require that such loans to mortgage lenders be additionally secured as to payment of both principal and interest by a pledge of and lien upon collateral security in such amounts as the corporation by resolution shall determine to be necessary to assure the payment of such loans and the interest thereon as the same become due. Such collateral security shall consist of (i) direct obligations of, or obligations guaranteed by, the United States of America; (ii) bonds, debentures, notes or other evidences of indebtedness, satisfactory to the corporation, issued by any of the following federal agencies: banks for cooperatives, federal intermediate credit banks, federal home loan banks, export-import bank of the United States, federal land banks, the federal national mortgage association or the government national mortgage association; (iii) direct obligations of or obligations guaranteed by the state; or (iv) mortgages insured or guaranteed by the United States of America or an instrumentality thereof as to payments of principal and interest. The corporation may require in the case of any or all mortgage lenders that such collateral be lodged with a bank or trust company located in the state designated by the corporation as custodian therefor. In the absence of such requirement a mortgage lender shall upon receipt of the loan proceeds from the corporation enter into an agreement with the corporation containing such provisions as the corporation shall deem necessary to adequately identify and separately maintain such collateral and service the same and providing that such mortgage lender shall hold such collateral as an agent for the corporation and shall be held accountable as the trustee of an express trust for the application and disposition thereof and the income therefrom solely to the uses and purposes in accordance with the provisions of such agreement. A copy of each such agreement and any revisions or supplements thereto shall be filed with the secretary of state, and no further filing or other action under Article 9 of KRS Chapter 355 or any other law of the state shall be required to perfect the security interest of the corporation in such collateral or any additions thereto or substitutions therefor, and the lien and trust for the benefit of the corporation so created shall be binding from and after the time made against all parties having claims of any kind in tort, contract or otherwise against such mortgage lender. The corporation may also establish such additional requirements as it shall deem necessary with respect to the pledging, assigning, setting aside, or holding of such collateral and the making of substitutions therefor or additions thereto and the disposition of income and receipts therefrom.
- (6) The corporation shall require the submission to it by each mortgage lender to which the corporation has made a loan of evidence satisfactory to the corporation of the making of residential mortgage loans as required by this section and prescribed by rules and regulations of the corporation and in connection therewith may inspect the books and records of such mortgage lender.
- (7) All residential mortgage loans made as required by this section shall comply with the applicable provisions of the laws of the state, and, where federal law or the law of another jurisdiction governs the affairs of the mortgage lender with the applicable provisions of such law.

- (8) The corporation may require agreement by any mortgage lender as a condition of the loan to such mortgage lender, to the payment of penalties to the corporation for violation by the mortgage lender of any provision of this section or its undertaking to the corporation with respect to the making of residential mortgage loans, and such penalties shall be recoverable at the demand of the corporation.
- (9) If at any time the corporation shall determine that an adequate supply of funds exists in regular banking channels for residential mortgage loans, the corporation shall discontinue the making of loans to mortgage lenders until such time as the corporation may subsequently determine that the supply of funds available for new residential mortgage loans is again inadequate.
- (10) For purposes of this section, the term "residential mortgage loan" means a loan made by a mortgage lender and secured by a mortgage constituting a first lien upon residential housing.

History: Created 1976 Ky. Acts ch. 364, sec. 5.