

Ralph M. Perrey, Executive Director



**MEMORANDUM**

DATE: January 23, 2020

TO: All Originating Agents

FROM: Rhonda Ronnow, Director of Single Family Loan Operations

SUBJECT: **Introducing GC97 - Freddie Mac HFA Advantage Mortgages**

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THDA is pleased to announce the upcoming return of conventional financing. “**GC97-Freddie Mac HFA Advantage**” is an HFA Advantage mortgage offered through Freddie Mac. THDA will be offering the product at a loan to value up to 97%. The “**GC-97 Plus**” option offers second mortgage financing of \$7,500 towards down payment and closing cost assistance, for a maximum combined loan to value (CLTV) of 105%. The second mortgage will be an amortizing loan with the following terms for payments: 15 years and 3% interest rate.

The HFA Advantage product is offered within a mortgage-backed security (MBS), which is a different execution than the standard Great Choice product which utilizes mortgage revenue bonds (MRB). THDA will continue to purchase these loans directly from our participating lenders, however, the delivery schedule and lock schedule will be different than the MRB program.

Highlights for the HFA product include the following:

- Lower private mortgage insurance coverage, which will save borrowers on their monthly payments. Traditional PMI requirement ends once the borrower reaches 20% equity in the property, unlike FHA loans which continue for the life of the loan.
- Flexibility for loan qualification for borrowers with student loan debt.
- Income limits apply differently for the GC97
- Qualifying income of the borrower(s) on the loan is used instead of household income limits

THDA believes this product will be an additional enhancement to the Great Choice line of mortgage products. THDA relies upon our lenders to provide the information for both the Great Choice and the GC97 programs to the borrowers to assist with making financial decisions.

In order to be ready for the new product, the Originating Agent Working Agreement for the MBS Loans (GC97 / GC97 Plus) is included for review. If you would like to participate in the MBS program, please execute the agreement and return to THDA with the following items:

- Quality Control Procedures; most recent 90 days QC report with management responses

- Lender's hiring procedures for checking all employees, including management, in the origination of mortgage loan against GSA excluded parties list, HUD LDP List and FHFA SCP list
- Copy of your Freddie Mac approval
- Systems in place to transfer LPA feedback results and UCDP appraisal to THDA at time of loan submission

THDA is excited to offer this new product and will have the official launch of the product during the **Tennessee Housing Conference March 11, 2020 at the Music City Center**. The lender rollout schedule will be provided during the conference. THDA encourages our lending partners to attend to receive valuable information from our program partner Freddie Mac. Registration for the conference can be found here: <https://tnhousingconference.com/>.

Similar to THDA's mortgage servicing initiative, THDA will roll out this program to our lenders in phases. THDA developed a Lender Profile which tracks the timeliness and quality of the submissions for the Great Choice Program. The GC97 rollout schedule is based upon timeliness of meeting delivery deadlines and document submission quality. THDA also understands the need of ensuring systems are in place with the lenders' lock desk and Information Technology groups. Lenders are encouraged to share this information with both groups to assist with new program implementation.

Thank you for your continued support and participation in the THDA mortgage loan programs. If you have any questions, please call 615-815-2100, send an e-mail to [SFask@thda.org](mailto:SFask@thda.org) or contact your local THDA Customer Account Manager.