

Ralph M. Perrey, Executive Director



**MEMORANDUM**

DATE: April 24, 2019

TO: All Originating Agents

FROM: Rhonda Ronnow, Director of Single Family Loan Operations

SUBJECT: **Mortgagee Letter 19-06**

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THDA would like to provide insight and guidance to Mortgagee Letter 19-06 as it pertains to utilizing the down payment assistance program provided by THDA. Below is a statement from Executive Director, Ralph M. Perrey. Additional information about how it affects all Originating Agents follows.

**Statement of Ralph M. Perrey, Executive Director, Tennessee Housing Development Agency**

THDA welcomes HUD's Mortgagee Letter 19-06, which draws needed distinctions between legitimate down payment assistance programs offered by state housing finance agencies and national programs fronted by entities with disputed authority to operate outside their own local jurisdiction.

HUD, noting that loans with down payment assistance have higher rates of default, is wise to differentiate among down payment programs offered by state housing finance agencies like THDA from those offered by the more than 1,500 other "government providers" of down payment assistance.

Research released last year by Fannie Mae showed that loans originated by state housing finance agencies, the vast majority of which include down payment assistance, "perform substantially better than similar loans to low- and moderate-income borrowers" and are "significantly less likely" to result in delinquency or default – 20% less likely, in fact. HUD did well to take this into consideration in its Mortgagee Letter.

**How this affects down payment assistance with THDA**

Effective immediately, THDA will issue a Legal Opinion Letter on every FHA Great Choice Plus or Great Choice HHF mortgage loan that is committed by THDA, this will be sent as the third page of the Enforceable Obligation Letter (EOL). Since this notice from HUD was unexpected, it will take about 3 weeks for implementation into the THELMA system. Until that time, you will receive a separate email from a THDA underwriter that includes the Legal Opinion Letter.

Thank you again for your continued support and participation in the THDA mortgage program. If you have any questions, please call 615-815-2100 or send an e-mail to SFask@thda.org.