

Ralph M. Perrey, Executive Director



MEMORANDUM

DATE: October 5, 2015

TO: All Originating Agents

FROM: Rhonda Ronnow, Director of Loan Operations

SUBJECT: **Clarification** -- TRID and Great Choice Plus Second Mortgage

The THDA Great Choice Plus second mortgage loan is an exempt transaction based on meeting the following requirements detailed in **Exempt Transactions (§ 1026.3(h) CFPB eRegulations:**

- (1) The transaction is secured by a subordinate lien;
- (2) The transaction is for the purpose of downpayment, closing costs, or other similar home buyer assistance, such as principal or interest subsidies.
- (3) The credit contract does not require the payment of interest.
- (4) The credit contract provides that repayment of the amount of credit extended is forgiven either incrementally or in whole, at a date certain, and subject only to specified ownership and occupancy conditions.
- (5) The total of costs payable by the consumer in connection with the transaction at consummation is less than one percent of the amount of credit extended and includes no charges other than fees for recordation of security instruments, deeds, and similar documents.

To maintain compliance with the above requirements, THDA will provide a \$50.00 grant to cover the cost of recording the deed of trust required to secure the THDA Great Choice Plus second mortgage loan for each approved loan application dated 10/3/2015 and after that includes a Great Choice Plus second mortgage loan. This THDA grant will be included with the wire at the time the Great Choice Plus second mortgage loan is purchased by THDA.

To maintain compliance with the above requirements, the following **are not permitted** for any Great Choice Plus second mortgage loan:

- A title policy for the Great Choice Plus second mortgage loan
- Hazard insurance coverage for the Great Choice Plus second mortgage loan
- A closing fee charged on the Great Choice Plus second mortgage loan

Any failure to meet these requirements will result in a denial of the loan application or a demand for repurchase of the Great Choice mortgage loan and the attendant Great Choice Plus second mortgage loan.

The Great Choice Plus second mortgage loan is not exempt from RESPA disclosure and will require a good faith estimate and a HUD-1. THDA will have these documents (fillable) available on THDA's website under Business Partners/Lenders-Servicers/Loan Documents. Therefore this grant should not be listed on the LE or CD.

The Great Choice Plus second mortgage loan good faith estimate must be signed by the borrower and submitted with the loan application.

The Great Choice Plus second mortgage loan HUD-1 must be provided to the borrower a minimum of three (3) days prior to the loan closing. A copy of the Great Choice Plus second mortgage loan HUD-1 must be included with the closing documents sent to THDA for funding.

Thank you for your continued participation in THDA's mortgage loan programs.

If you have any questions, please contact sfASK@thda.org or call 615-815-2100.