

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 95**

January 26, 2015

**Remove and discard:**

**Replace with enclosed:**

Page 24 (January 2014).....Page 24 (Revised 02/02/15)

Page 25 (January 2014).....Page 25 (Revised 02/02/15)

Underwriting Submission Checklist

*Form HO-0549 (10.14b)*.....*Form HO-0549 (02.15)*

Buyer Profile

*Form HO-0439 (04.10)*.....*Form HO-0439 (02.15)*

**EFFECT OF CHANGE**

Effective February 2, 2015, THDA will be accepting loans with an LP or DU decision response of **Refer/Eligible** with a **maximum debt ratio of 43%**, a minimum FICO score of 620, and **2 of the 3 following THDA overlays**, documented appropriately.

1. The borrower must have a verified rental history. Verification of rental (VOR) is acceptable if borrower is renting from a commercial management company; or 12 months canceled checks/bank verification if borrower is renting from a private landlord.
2. One month PITI in reserves. This can be a gift; gift funds are verified per the insurer's guidelines.
3. A two year job history with a minimum of 12 months at current employer.

The two forms included with this Revision reflect the changes and should be submitted with loans beginning February 2, 2015.

## SECTION 5: PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS

### **5.1 OVERVIEW**

#### **A. Disclosures**

##### **1. Great Choice**

Originating agents are required to provide all disclosures that comply with all federal and state laws and/or regulations. These include, without limitation, signed and dated copies of good faith estimates, Reg. Z or Truth in Lending, Tennessee Residential Property Condition Disclosure and transfer of servicing disclosures.

##### **2. Great Choice Plus**

Originating agents will provide all disclosures that comply with all federal and state laws and/or regulations. These include, without limitation, signed and dated copies of a good faith estimate, Reg. Z or Truth in Lending and applicable THDA Great Choice Plus disclosures.

#### **B. Underwriting Guidelines, Debt Ratios, Credit Scores, Compensating Factors**

Eligible applicants must meet credit underwriting standards of the relevant insuring program, as evidenced by the approval of a Direct Endorsement underwriter or the insurer, program accepted, underwriting software, i.e. Loan Prospector (LP), Desktop Underwriter (DU). LP or DU acceptance must also be signed by the Originating Agent underwriter or processor verifying the accuracy of information or data required to receive approval.

All loan submissions with a borrower(s) credit score (middle score or lowest score if only two scores) below 620 will not be eligible for THDA funding. THDA will accept loans with the following decision responses which shall meet the following THDA requirements:

1. Approve/Eligible: Maximum debt ratio of 45% and a minimum credit score of 620.
2. Refer/Eligible - due to "no score" only: Loans must be manually underwritten using non-traditional credit guidelines in accordance with FHA guidelines, maximum debt ratio of 45%.
3. Refer/Eligible: Loans must be manually underwritten, maximum debt ratio of 43%, minimum credit score of 620, and must meet two of the three THDA overlays listed below.
  - The borrower must have a verified rental history. Verification of rental (VOR) is acceptable if borrower is renting from a commercial management company; or 12 months canceled checks/bank verification if borrower is renting from a private landlord.
  - One month PITI in reserves. This can be a gift; gift funds are verified per the insurers guidelines.
  - A two year job history with a minimum of 12 months at current employer.
4. Approve/Ineligible: As it refers to the HUD REO \$100.00 down payment program only, maximum debt ratio of 45% and minimum credit score of 620.

All THDA loan application packages will be required to include a copy of the completed FHA Loan Underwriting and Transmittal Summary or Loan Analysis signed by an authorized program endorsed underwriter of the Originating Agent, or correspondent underwriting agent. (See Section 6.2. K)

Any closed loan subsequently determined to be ineligible for program insurance due to non-compliance with that program's credit underwriting guidelines will be ineligible for THDA funding and subject to repurchase without exception.

#### **C. Homebuyer Education**

Great Choice Plus and Homeownership for the Brave borrowers are required to obtain pre-purchase education and counseling provided by a certified THDA counselor at one of the approved agencies listed on THDA's website at [www.thda.org](http://www.thda.org). This course is an eight hour face to face training session which usually combines a 6-7 hour group class with an hour of individual one-on-one counseling.

## **D. Exception to Face to Face Homebuyer Education Counseling**

THDA allows the use of the eHomeAmerica online product to accommodate borrowers who have unique logistical or physical challenges – or, who have demonstrated through their use of credit that they already have a solid understanding of how to budget and manage their finances.

In order to be eligible for Online Homebuyer Education Counseling, the borrower(s) must meet the following eligibility criteria.

Borrower lives out-of-state and will not be in Tennessee until the date of their closing.

- Borrower lives more than an hour's drive from an approved THDA counseling agency.
- Borrower is physically unable to participate in a classroom setting.
- Borrower has a minimum credit score of 720 and has ratios that do not exceed 29/41.\*

\*Must attach documentation providing borrower credit score and ratios.

### **1. Requesting Approval**

A. Each exception must be pre-approved by THDA.

B. Before requesting approval, the Originating Agent will be responsible for reviewing the Online Homeownership Education Borrower Information Form HBEO-100 with the prospective online education borrower. Form HBEO-100 provides key information, including the following:

- The borrower must pay a fee for using the online product.
- The eHomeAmerica online course will take several hours to complete. The course has test questions at the end of each section.
- The online borrower will be required to participate in at least two telephone sessions with the HBEI agency providing them access to the online product.
  - ▶ The first session is for intake and preparation before taking the online course.
  - ▶ The second telephone conference provides follow-up counseling on the test questions and additional counseling regarding the borrower's budget and their responsibilities as a THDA homeowner.

C. To request approval for online education for a borrower, a THDA Originating Agent must complete and send Online Homeownership Education Request Form HBEO-200 and the Online Homeownership Education Borrower Information Form HBEO-100 which has been executed by the borrower to THDA by fax to 615-564-1229 or email to [HomebuyerEducationInfo@thda.org](mailto:HomebuyerEducationInfo@thda.org).

### **2. Approval and Connection with THDA Counseling Agency**

THDA will review the Originating Agent's submitted Online Homeownership Education Request and, upon approval, assign the borrower to an approved THDA counseling agency to administer the eHomeAmerica online education product. THDA will notify the Originating Agent and the counseling agency of the borrower's approval to participate in the online education program. The borrower is responsible for contacting the counseling agency.

## **E. Age of Credit Documents**

All credit documents must be current when submitted to THDA for underwriting. For Commitments with a term of six months (permanent financing on new construction), income documents more than 180 days old must be updated and resubmitted for THDA review and approval when construction is complete.

All updates and requests for extension of the Commitment must be submitted with updated documents for THDA approval prior to the Commitment expiration date.

## Tennessee Housing Development Agency (THDA)

### Buyer Profile

THDA Loan # (assigned by THDA) \_\_\_\_\_ OA Name: \_\_\_\_\_  
 Primary Borrower's Name: \_\_\_\_\_ OA Number: \_\_\_\_\_

**LIST INDIVIDUALS' NAMES BELOW:**

Appraiser: \_\_\_\_\_ Selling/Buyer's Agent: \_\_\_\_\_  
 Listing Agent: \_\_\_\_\_ Selling/Buyer's Agent License #: \_\_\_\_\_  
 Listing Agent's License #: \_\_\_\_\_ OA Processor: \_\_\_\_\_  
 Originator: \_\_\_\_\_ Builder (if new construction): \_\_\_\_\_  
 OA Underwriter: \_\_\_\_\_

Name of Homebuyer Education Organization, if applicable. \_\_\_\_\_  
 Name of Education Trainer and ID #, if applicable. \_\_\_\_\_

**FAMILY CHARACTERISTICS:**

\_\_\_\_\_ Number of Persons Who Will Reside in Household  
 \_\_\_\_\_ Race of Primary Borrower:  
                   (1) White      (3) Asian                      (5) Other  
                   (2) Black      (4) American Indian  
 \_\_\_\_\_ Hispanic: Yes OR No  
 \_\_\_\_\_ Primary Borrower Gender:    (1) Male    (2) Female  
 \_\_\_\_\_ Age Of Primary Borrower  
 \_\_\_\_\_ Marital Status:    (1) Married    (2) Unmarried    (3) Separated  
 \_\_\_\_\_ Number of Dependents (children residing in household)  
 \_\_\_\_\_

**CURRENT HOUSING CHARACTERISTICS:**

\_\_\_\_\_ Housing Status  
                   (1) Own Home, OR Own Mobile Home and Lot  
                   (2) Government Assisted Rent (i.e. public housing, HUD or USDA/RD assisted housing)  
                   (3) Rent Apartment/Home/Mobile Home, OR Own Mobile Home and Rent Lot  
                   (4) Lives with Relatives Rent-Free, Displaced by Government Action or Other  
 \_\_\_\_\_ Has any applicant owned a home (including a permanently-attached mobile home and lot) within  
 the last three years? Yes OR No  
 \$ \_\_\_\_\_ Current monthly rent or house payment

**SUBJECT HOUSING CHARACTERISTICS:**

\_\_\_\_\_ Approximate Sq. Feet of Living Area  
 \_\_\_\_\_ Year Built  
 \_\_\_\_\_ Construction Type:    (1) Single Family Detached    (2) Duplex    (3) Triplex    (4) Condo  
                                   (5) Townhouse    (6) PUD    (7) Zero Lot Line    (8) Modular    (9) Manufactured Home  
 \_\_\_\_\_ Building is:    (1) New/Proposed    (2) Existing—(See OA Guide Definitions)  
 \$ \_\_\_\_\_ Appraised Value  
 \$ \_\_\_\_\_ Down Payment Excluding Grants, Down Payment Assistance

**MARKETING:**

\_\_\_\_\_ Source:            (1) Newspaper                      (2) Radio                      (3) TV                      (4) Builder  
                                   (5) Real Estate Agent            (6) Lender                      (7) Other                      (8) Unknown

**GEOGRAPHY:**

\_\_\_\_\_ County in which the home to be purchased is located.  
 \_\_\_\_\_ Is the home to be purchased located in a Targeted County or Census Tract? Yes OR No  
 \_\_\_\_\_ Census Tract Number (must be included on each profile)

**MISCELLANEOUS:**

\_\_\_\_\_ Number in Household  
 \$ \_\_\_\_\_ Maximum Income Limit for County and Household Size  
 \$ \_\_\_\_\_ Total Annual HOUSEHOLD Income  
 \$ \_\_\_\_\_ Maximum Acquisition Limit for County, Based on New or Existing  
 \$ \_\_\_\_\_ Total Acquisition Cost of this Property  
 \$ \_\_\_\_\_ Estimated Monthly Homeowner Insurance  
 \$ \_\_\_\_\_ Estimated Monthly Property Taxes  
 \_\_\_\_\_ Name of PMI Company; if applicable

**Refer/Eligible Compensating Factors**

- ☐ Verified Rental History  
☐ One month PITI in reserves  
☐ Two year job history with minimum 12 months at current employer

**Tennessee Housing Development Agency (THDA)  
Underwriting Submission Checklist**

OA Number: \_\_\_\_\_

Primary Applicant: \_\_\_\_\_

OA Name: \_\_\_\_\_

Property Address: \_\_\_\_\_

OA Address: \_\_\_\_\_

Applicant's Email: \_\_\_\_\_

**Program Type:**

- ☐ Great Choice-1<sup>st</sup> Mortgage  
☐ Great Choice Plus-2<sup>nd</sup> Mortgage  
☐ Homeownership for the Brave

**DU/LP Recommendation**

- ☐ Approve/Eligible  
☐ Refer/Eligible  
☐ Manual No Score

**Loan Type:**

- ☐ FHA  
☐ VA  
☐ USDA/RD  
☐ Conventional

**Property Type:**

- ☐ Single Family Detached  
☐ Condo  
☐ Manufactured Home  
☐ Other \_\_\_\_\_

PLEASE ASSEMBLE PACKAGE IN ORDER LISTED BELOW

**THDA PROGRAM ELIGIBILITY**

- ☐ 1. Buyer Profile
- ☐ 2. Original Application Affidavit(s), Veteran Exemption Application Affidavit
- ☐ 3. Original Seller Affidavit (notarized)
- ☐ 4. Signed and Dated Tax Returns with all schedules and W-2s for the most recent tax year including non-qualifying spouse
- ☐ 5. IRS Non-Filing Confirmation for most recent tax year including non-qualifying spouse
- ☐ 6. Notice to Applicants Federal Recapture Requirements (signed copy)
- ☐ 7. Homebuyer Education Certification and Online Homeownership Education Approval and Referral Form HBEO-300 (if applicable)
- ☐ 8. Great Choice Plus Loan Program Application for Assistance
- ☐ 9. Disclosure of Loan Terms for Great Choice Plus second mortgage (if applicable)

**CREDIT PACKAGE**

- ☐ 10. FHA Loan Underwriting and Transmittal Summary with condition sheet, **AND** Form 92900A p3, signed by DE Underwriter and DU or LP findings
- ☐ 11. USDA/RHS #1980-18
- ☐ 12. Typed Transmittal Summary (1008) signed by underwriter with DU or LP findings within 90 days of AUS or run date
- ☐ 13. VA/Loan Analysis Worksheet Approval OR VA Certificate of Commitment/DD-214 or DD-4 (if applicable)
- ☐ 14. Initial Good Faith Estimate
- ☐ 15. Final Loan Application (Typed URLA) 1003 (3 year residency should be stated)
- ☐ 16. Initial Interviewer's Signed Loan Application 1003 (3 year residency should be stated)
- ☐ 17. Credit Report and credit explanation letters (if applicable)
- ☐ 18. Final Divorce Decree/Marital Dissolution (if applicable)
- ☐ 19. Verification of Court Ordered Child Support/Parenting Plan
- ☐ 20. Verification of SSI or Other Assistance
- ☐ 21. Verifications of Employment (verbal is unacceptable)
- ☐ 22. Most Recent Pay Stub (within past 30 days)
- ☐ 23. Verifications of Prior Employment (telephone verification is acceptable)
- ☐ 24. Self-Employment Cash Flow Worksheet, P & L, 2 years Business Tax Returns (corp. or partnership or sole prop.)
- ☐ 25. Verification of Deposit OR Borrower's Bank Statements for the previous two months
- ☐ 26. Gift Letter
- ☐ 27. Sales Contract and Addendum (Copy)
- ☐ 28. Appraisal Report (URAR) and Condition Sheet with VC Sheet/USDA-RD Conditions, and executed conditional commitment (928005.b), VA CRV
- ☐ 29. Final Inspection and Legible Photos of Subject Property (front, rear, street) and Photos or Photocopies of comparable sales
- ☐ 30. Flood Notification (if applicable, signed by Applicant or certified date mailed to Applicant) (Copy)
- ☐ 31. Grant/Down payment assistance approval letters
- ☐ 32. Original Certificate of Title or Original Manufactured Certificate of Origin (Mobile/Manufactured Homes)
- ☐ 33. FHA 203(h) Proof of permanent residence (if applicable)
- ☐ 34. FHA 203(h) Proof of destruction of residence (if applicable)

**THDA RESERVES THE RIGHT TO REQUEST ADDITIONAL DOCUMENTATION TO EVALUATE THIS LOAN APPLICATION.**

The undersigned, an authorized representative of the OA referenced above, hereby certifies and warrants as follows: (i) the information accompanying this submission has been verified and corroborated as required by THDA; (ii) all requirements of applicable federal and/or state law have been met, including, without limitation, all disclosures and requirements in the Federal Reserve Board "Rule" and the Dodd-Frank Act; (iii) the Applicant referenced above and the property proposed for purchase by the Applicant meet all applicable THDA mortgage loan eligibility and program guidelines; and (iv) to the extent this submission is electronic, all documents and affidavits required to be originals or with original signature were obtained.

Originating Agent Authorized Signature \_\_\_\_\_

Print Name and Title \_\_\_\_\_

Date \_\_\_\_\_

Phone No. (\_\_\_\_) \_\_\_\_\_

Fax No. (\_\_\_\_) \_\_\_\_\_

Email address \_\_\_\_\_

Loan Originator Name \_\_\_\_\_

Loan Originator Email \_\_\_\_\_

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 96**

January 27, 2015

**Remove and discard:**

**Replace with enclosed:**

Page 24 (Revised 02/02/15) .....Page 24 (Revised 02/02/15b)

**EFFECT OF CHANGE**

This page contains a correction to Revision 95 in reference to THDA's compensating factor, one month PITI in reserves. **These funds cannot be gift funds.**

## SECTION 5: PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS

### **5.1 OVERVIEW**

#### **A. Disclosures**

##### **1. Great Choice**

Originating agents are required to provide all disclosures that comply with all federal and state laws and/or regulations. These include, without limitation, signed and dated copies of good faith estimates, Reg. Z or Truth in Lending, Tennessee Residential Property Condition Disclosure and transfer of servicing disclosures.

##### **2. Great Choice Plus**

Originating agents will provide all disclosures that comply with all federal and state laws and/or regulations. These include, without limitation, signed and dated copies of a good faith estimate, Reg. Z or Truth in Lending and applicable THDA Great Choice Plus disclosures.

#### **B. Underwriting Guidelines, Debt Ratios, Credit Scores, Compensating Factors**

Eligible applicants must meet credit underwriting standards of the relevant insuring program, as evidenced by the approval of a Direct Endorsement underwriter or the insurer, program accepted, underwriting software, i.e. Loan Prospector (LP), Desktop Underwriter (DU). LP or DU acceptance must also be signed by the Originating Agent underwriter or processor verifying the accuracy of information or data required to receive approval.

All loan submissions with a borrower(s) credit score (middle score or lowest score if only two scores) below 620 will not be eligible for THDA funding. THDA will accept loans with the following decision responses which shall meet the following THDA requirements:

1. Approve/Eligible: Maximum debt ratio of 45% and a minimum credit score of 620.
2. Refer/Eligible - due to "no score" only: Loans must be manually underwritten using non-traditional credit guidelines in accordance with FHA guidelines, maximum debt ratio of 45%.
3. Refer/Eligible: Loans must be manually underwritten, maximum debt ratio of 43%, minimum credit score of 620, and must meet two of the three THDA overlays listed below.
  - The borrower must have a verified rental history. Verification of rental (VOR) is acceptable if borrower is renting from a commercial management company; or 12 months canceled checks/bank verification if borrower is renting from a private landlord.
  - One month PITI in reserves. This cannot be a gift.
  - A two year job history with a minimum of 12 months at current employer.
4. Approve/Ineligible: As it refers to the HUD REO \$100.00 down payment program only, maximum debt ratio of 45% and minimum credit score of 620.

All THDA loan application packages will be required to include a copy of the completed FHA Loan Underwriting and Transmittal Summary or Loan Analysis signed by an authorized program endorsed underwriter of the Originating Agent, or correspondent underwriting agent. (See Section 6.2. K)

Any closed loan subsequently determined to be ineligible for program insurance due to non-compliance with that program's credit underwriting guidelines will be ineligible for THDA funding and subject to repurchase without exception.

#### **C. Homebuyer Education**

Great Choice Plus and Homeownership for the Brave borrowers are required to obtain pre-purchase education and counseling provided by a certified THDA counselor at one of the approved agencies listed on THDA's website at [www.thda.org](http://www.thda.org). This course is an eight hour face to face training session which usually combines a 6-7 hour group class with an hour of individual one-on-one counseling.

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 97**

February 26, 2015

**Remove and discard:**

**Replace with enclosed:**

Page 4 (Revised 10/01/14) .....	Page 4 (Revised 02/26/15)
Page 24 (Revised 02/02/15b) .....	Page 24 (Revised 02/26/15)
Page 49 (Revised 10/1/14) .....	Page 49 (Revised 02/26/15)
Page 50 (Revised 10/1/14) .....	Page 50 (Revised 02/26/15)

**EFFECT OF CHANGE**

These pages provide textual corrections only, and no changes in guidelines.

- The correction on page 4 is in the table section related to Homebuyer Education.
- The correction on page 24 is in Section 5; 5.1 OVERVIEW; A, 2.
- The correction on page 49 is correcting revision dates of forms listed
- The correction on page 50 is correcting revision dates of forms listed



**B. Great Choice Plus: Down Payment/Closing Cost Assistance Loan**

This loan offers down payment and closing cost assistance to first-time homebuyers at no interest but secured by a second deed of trust. This loan is available only with the THDA Great Choice first mortgage loan. The Great Choice Plus loan is a 0% interest rate, deferred payment, forgivable second lien. The second mortgage loan is forgiven from year 11 through year 15 at 20% per year.

<b>Eligible Borrower</b>	Homebuyer obtaining THDA Great Choice Loan
<b>Maximum Household Income</b>	THDA Great Choice Program Limits apply
<b>Maximum Loan Amount</b>	Up to 4% of Purchase Price
<b>Interest Rate</b>	0%
<b>Loan Term</b>	15 year deferred, forgivable
<b>Underwriting Criteria</b>	Borrowers must have 620 minimum credit score. Must meet all other THDA Underwriting Guidelines. Manual underwriting allowed per THDA guide.
<b>Pre-Payment</b>	The Great Choice Plus loan is due in full upon 1 <sup>st</sup> mortgage payoff, assumption, or refinance prior to year 11. From year 11 through year 15, the loan is forgiven at 20% per year. No pre-payment penalty. No assumption of Great Choice Plus allowed, with the exception of a VA assumption.
<b>Allowable Fees</b>	Normal and customary 2 <sup>nd</sup> mortgage fees
<b>Closing Documents</b>	Great Choice Plus Note and Deed of Trust in the name of THDA
<b>Homebuyer Education</b>	Required prior to closing on THDA Great Choice Plus and Homeownership for the Brave Loans
<b>Servicing</b>	No monthly second mortgage payment is collected.

## **SECTION 5: PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS**

### **5.1 OVERVIEW**

#### **A. Disclosures**

##### **1. Great Choice**

Originating agents are required to provide all disclosures that comply with all federal and state laws and/or regulations. These include, without limitation, signed and dated copies of good faith estimates, Reg. Z or Truth in Lending, Tennessee Residential Property Condition Disclosure and transfer of servicing disclosures.

##### **2. Great Choice Plus**

Originating agents will provide all disclosures that comply with all federal and state laws and/or regulations.

#### **B. Underwriting Guidelines, Debt Ratios, Credit Scores, Compensating Factors**

Eligible applicants must meet credit underwriting standards of the relevant insuring program, as evidenced by the approval of a Direct Endorsement underwriter or the insurer, program accepted, underwriting software, i.e. Loan Prospector (LP), Desktop Underwriter (DU). LP or DU acceptance must also be signed by the Originating Agent underwriter or processor verifying the accuracy of information or data required to receive approval.

All loan submissions with a borrower(s) credit score (middle score or lowest score if only two scores) below 620 will not be eligible for THDA funding. THDA will accept loans with the following decision responses which shall meet the following THDA requirements:

1. Approve/Eligible: Maximum debt ratio of 45% and a minimum credit score of 620.
2. Refer/Eligible - due to "no score" only: Loans must be manually underwritten using non-traditional credit guidelines in accordance with FHA guidelines, maximum debt ratio of 45%.
3. Refer/Eligible: Loans must be manually underwritten, maximum debt ratio of 43%, minimum credit score of 620, and must meet two of the three THDA overlays listed below.
  - The borrower must have a verified rental history. Verification of rental (VOR) is acceptable if borrower is renting from a commercial management company; or 12 months canceled checks/bank verification if borrower is renting from a private landlord.
  - One month PITI in reserves. This cannot be a gift.
  - A two year job history with a minimum of 12 months at current employer.
4. Approve/Ineligible: As it refers to the HUD REO \$100.00 down payment program only, maximum debt ratio of 45% and minimum credit score of 620.

All THDA loan application packages will be required to include a copy of the completed FHA Loan Underwriting and Transmittal Summary or Loan Analysis signed by an authorized program endorsed underwriter of the Originating Agent, or correspondent underwriting agent. (See Section 6.2. K)

Any closed loan subsequently determined to be ineligible for program insurance due to non-compliance with that program's credit underwriting guidelines will be ineligible for THDA funding and subject to repurchase without exception.

#### **C. Homebuyer Education**

Great Choice Plus and Homeownership for the Brave borrowers are required to obtain pre-purchase education and counseling provided by a certified THDA counselor at one of the approved agencies listed on THDA's website at [www.thda.org](http://www.thda.org). This course is an eight hour face to face training session which usually combines a 6-7 hour group class with an hour of individual one-on-one counseling.

## **SECTION 9: THDA FORMS AND INSTRUCTIONS**

As a result of Tax Code requirements, THDA must require certain forms. Application files or closed loan packages that do not contain fully executed THDA forms, as required, will not be accepted by THDA. These forms must be included in THDA application files and in THDA closed loan packages as indicated in this Guide. THDA forms are in addition to the typical forms utilized in the mortgage industry. These forms are to be considered part of this Guide.

THDA forms may not be altered.

THDA forms may not be distributed to a lender who is not an Originating Agent or to any other unauthorized individual or entity.

Detailed instructions for completion of each THDA form follows in the order that they are typically encountered in the lending process:

- Application Affidavit HO-0450 (03/11)
- Veteran Exemption Application Affidavit HO-0460 (02/07)
- Notice to Applicants Federal Recapture Requirements HO-0448 (09/99)
- Seller Affidavit HO-0451 (09/99)
- Application for Assistance HO-0573 (10/14)
- Online Homeownership Education Borrower Information HBEO-100 (06/13)
- Online Homeownership Education Request HBEO-200 (06/13)
- Buyer Profile HO-0439 (02/15)
- Underwriting Submission Checklist HO-0549 (02/15)
- Affidavit of Affixation HO-0453 (12/06)
- Legally Enforceable Obligation Letter HO-0476 (10/14)
- Closed Loan Submission Checklist HO-0541 (11/13)
- THDA Rider HO-0440 (08/03)
- Request for Loan Purchase with Acknowledgement and Certification HO-0444 (10/14)
- Disclosure of Loan Terms for Great Choice Plus Second Mortgage Loan HO-0573 (10/14)

### **APPLICATION AFFIDAVIT HO-0450 (03/11)**

### **VETERAN EXEMPTION APPLICATION AFFIDAVIT HO-0460 (02/07) (If Applicable)**

The Application Affidavit or Veteran Exemption Application Affidavit (if applicable Application Affidavit) must be executed by each applicant and non-qualifying spouse. The household income figure to be provided in item #4 is the maximum allowable income for the size of the applicant's household and location of property. The acquisition cost figure for Great Choice is to be provided in item #5 is the maximum THDA acquisition cost for the county in which the property is located. The original Application Affidavit or Veteran Exemption Application Affidavit is required by THDA. All changes or whiteouts must be initialed by the Applicant(s).

Each Application Affidavit or Veteran Exemption Application Affidavit, must be executed and notarized within the State of Tennessee; however, in rare circumstances, an Application Affidavit or Veteran Exemption Application Affidavit may be executed and notarized outside the State of Tennessee, such as when a person is a member of the armed forces, is stationed outside the state and is unable to be present while the application is being processed.

### **NOTICE TO APPLICANTS FEDERAL RECAPTURE REQUIREMENTS HO-0448 (09/99)**

This form is mandatory for all THDA loan applications. The Applicant and all Co-Applicants must sign and date the form at the time of application. Provide a copy to the Applicant. Enclose the original signed and dated form in the application file when submitted for THDA underwriting.

## **SELLER AFFIDAVIT HO-0451 (09/99)**

The seller of the property must complete a Seller Affidavit for each application file submitted to THDA. The Seller Affidavit is to assist in determining whether the purchase of the property involves more than the purchase price specified in the sales contract.

The seller must sign and date the Seller Affidavit, and it must be notarized. Enclose the original Seller Affidavit in the application file when submitting for THDA underwriting. In the absence of the original Affidavit at the time of loan approval, a prior to closing contingency will be THDA receipt of the original.

## **APPLICATION FOR ASSISTANCE HO-0573 (10/14)**

This form must be completed and the original included in each loan application package submitted under the Great Choice Plus Loan Program. The application should indicate the total FHA loan amount including MIP, the exact (dollars and cents) amount of assistance based on 4% of the referenced loan amount, the anticipated closing date, and the complete name of the settlement agent. This form must be signed by the Borrower(s) and an authorized representative of the lender.

## **ONLINE HOMEOWNERSHIP EDUCATION BORROWER INFORMATION FORM HBEO-100**

The Originating Agent is responsible for reviewing the Online Homeownership Education Borrower Information Form with the prospective online education borrower. This form provides key information about the eHomeAmerica online product and requirements for the borrower to complete the course.

## **ONLINE HOMEOWNERSHIP EDUCATION REQUEST FORM HBEO-200**

To request approval for online homeowner education for a borrower, the Originating Agent must complete and send the Online Homeownership Education Request Form HBEO-200 and the Online Homeownership Education Borrower Information Form HBEO-100 which has been executed by the borrower to THDA by fax to 615-564-1229 or email to HomebuyerEducationInfo@thda.org.

## **BUYER PROFILE HO-0439 (02/15)**

This form is critical to facilitate accurate reports by THDA. Complete this form accurately and completely and enclose it the application file when submitted for THDA underwriting.

## **UNDERWRITING SUBMISSION CHECKLIST HO-0549 (02/15)**

Use this form as a cover sheet for all application files submitted to THDA.

Follow the checklist closely and complete all information. Items omitted may cause the application file to be returned for completion and resubmission. Do not change the size of this form.

The checklist has five main sections:

1. General Information.
2. THDA Program Eligibility. Must include original documents, notarized as indicated.
3. Great Choice Plus Loans/Downpayment/Closing Cost Assistance. Must be documented as indicated, if applicable.
4. Credit Package. Must include documentation, as indicated.

Originating Agent Information: Provide complete information, including the Originating Agent's four-digit O. A. Number as assigned by THDA. An omitted or incorrect Originating Agent number and

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 98**

April 7, 2015

**Remove and discard:**

**Replace with enclosed:**

Page 2 (Revised 10/01/14 .....	Page 2 (Revised 04/07/15)
Page 8 (January 2014).....	Page 8 (Revised 04/07/15)
Page 18 (January 2014).....	Page 18 (Revised 04/07/15)

**EFFECT OF CHANGE**

Effective immediately, eligible applicants of THDA loans must be a U.S. citizen or permanent resident alien.

Also included is an updated Single Family staff contact list.



# **Originating Agents Guide**

JANUARY 2014

Latest Revision: 04/07/15

Single Family General Information..... 615-815-2100  
Toll-Free Voice Mail..... 1-800-228-8432  
Fax (24 hours a day, 7 days a week) ..... 615-564-2881

<u>Staff</u>	<u>Telephone</u>	<u>Email Address</u>
Lindsay Hall, Senior Director of Single Family Programs	615-815-2080	lhall@thda.org
Nancy Herndon, Assistant to Senior Director of Single Family	615-815-2101	nherndon@thda.org
Rhonda Ronnow, Director of Loan Operations	615-815-2111	rronnow@thda.org
Marvene Carey, Loan Production Advisor	615-815-2079	mcarey@thda.org
Cynthia Peraza, Program Development Coordinator	615-815-2112	cperaza@thda.org
Rhonda Ellis, Mortgage Specialist, Processing	615-815-2103	rellis@thda.org
Sharon Campbell, Underwriter	615-815-2088	scampbell@thda.org
Pam Norris, Underwriter	615-815-2087	pnorris@thda.org
Tammy Walker, Underwriter	615-815-2091	twalker@thda.org
Lynne Walls, Underwriter	615-815-2089	lwalls@thda.org
Sharon Pommer, Servicing Advisor	615-815-2078	spommer@thda.org
Ginny Boles, Servicing Coordinator	615-815-2097	gboles@thda.org
Debbie Couch, Servicing Specialist	615-815-2096	dcouch@thda.org
Steven Lamb, Programs Administrator, Servicing	615-815-2083	slamb@thda.org
Chuck Pickering, Closing Manager	615-815-2086	cpickering@thda.org
Bonnie Fowler, Closing Coordinator	615-815-2081	bfowler@thda.org
Caroline Rhodes, Mortgage Specialist, Closing	615-815-2098	crhodes@thda.org
Sandy Kist, Mortgage Specialist, Closing	615-815-2092	skist@thda.org
Larisa Stout, KMTH Recertification Manager	615-815-2093	lstout@thda.org
Jayna Johnson, Homebuyer Education Manager	615-815-2019	jjohnson@thda.org
Debbie Reeves, Director-Comm. Outreach & Business Development	626-815-2152	dreeves@thda.org

## **SECTION 3: QUALIFYING AN APPLICANT TO PARTICIPATE IN THDA LOAN PROGRAMS**

### **3.1 OVERVIEW**

Before undertaking the typical underwriting process for a proposed THDA loan, first determine whether the Applicant is eligible to participate in the desired THDA loan program. See Section 1.4 for a description of THDA loan programs. If the Applicant does not meet the basic program requirements described in this Section, do not submit the application file to THDA. If the Applicant does not meet the basic program requirements described in this Section, THDA cannot approve the application.

THDA program eligibility requires the following determinations:

1. Determine whether the property is within the applicable Acquisition Cost Limit. See Section 3.2.
2. Determine whether the Applicant's Household Income is within the applicable Income Limits. See Section 3.3 for information about defining and calculating Household Income.
3. Determine whether the Applicant meets the Residence Requirement. See Section 3.4.
4. Determine whether the Applicant meets the Three Year Requirement. See Section 3.5 and 3.7.
5. Determine whether Applicant meets the New Mortgage Requirement. See Section 3.6.
6. Determine whether Applicant is a U.S. citizen or permanent resident alien.

If all of these requirements are not met, do not submit the application file to THDA.

### **3.2 ACQUISITION COST LIMITS**

#### **A. Defining Acquisition Cost**

Property to be financed with a THDA loan cannot be purchased for an amount that exceeds the applicable Acquisition Cost Limit. Generally, the Acquisition Cost is the total cost of acquiring the property as a completed residential unit.

Usually, the Acquisition Cost is the price specified in the contract between the seller and Applicant for the property, so long as there are no other agreements (written or verbal) for payment of any additional amounts in connection with the purchase or construction of the property. If there are agreements of any kind in addition to the purchase contract, then the Acquisition Cost also includes all other amounts paid in cash or in kind by the Applicant or on behalf of the Applicant in connection with the property.

#### **B. Acquisition Cost Inclusions**

Include the following items in determining Acquisition Cost:

1. The price indicated in an executed sales contract for a proposed, new or existing house and lot that will be conveyed to the Applicant when the THDA loan is closed ("house" includes a manufactured home on a permanent foundation);



## **SECTION 4: OTHER THDA PROGRAM REQUIREMENTS**

### **4.1 ELIGIBLE APPLICANTS**

An Eligible Applicant must meet ALL of the following criteria:

1. Possess and demonstrate the legal capacity to incur the THDA debt (not be judged incompetent, and be age 18 or older or have minority removed by judicial process);
2. Meet credit underwriting standards of the relevant insuring program as evidenced by the approval of a Direct Endorsement underwriter or the insurer program accepted underwriting software, i.e. Loan Prospector, Desktop Underwriter;
3. Be, or become, within 60 days after the THDA loan closing, a resident of the State of Tennessee and intend to occupy the property as their principal residence;
4. Have gross assets of such amounts as to be considered a person of low or moderate income, as THDA may determine from the documentation contained in the application file (See Section 5.2); and
5. Agree to occupy the property as their principal residence and agree not to rent the property during the term of the THDA loan, as sworn to in the Application Affidavit and as precluded by the THDA Rider.
6. Must be a U.S. citizen or permanent resident alien.

### **4.2 PROPERTY ELIGIBILITY**

#### **A. Eligible Property**

Eligible property must meet all of the following requirements:

1. Be one of the following:
  - (a) A detached or semi-detached house;
  - (b) A row-house, townhouse, condominium or be part of a planned unit development. For a property located in a condominium development, including developments less than 100% complete, the condominium development must have approval by either FHA, VA, USDA/RD, FHLMC or FNMA;
  - (c) A one, two, three, or four-family residence, one unit of which must be occupied by Applicant as his/her principal residence;
  - (d) Any of the above types of residences, existing, new or proposed:
    - (1) built on site, or
    - (2) a modular home permanently attached to a foundation (in compliance with HUD guidelines, or
    - (3) a HUD approved double-wide manufactured home permanently attached to a foundation (in compliance with HUD Manual 4930.3, "Permanent Foundations Guide for Manufactured Housing"), with wheels, axles, towing tongue and running lights removed. If any portion of a

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 99**

May 13, 2015

**Remove and discard:**

**Replace with enclosed:**

Page 4 (Revised 02/26/15).....	Page 4 (Revised 06/08/15)
Page 5 (January 2014).....	Page 5 (Revised 06/08/15)
Page 22 (January 2014).....	Page 22 (Revised 06/08/15)
Page 24 (Revised 02/26/15).....	Page 24 (Revised 06/08/15)

**EFFECT OF CHANGE**

Effective June 8, 2015, all Great Choice applications received by THDA will require a credit score of 640.

No score borrowers will be allowed with manual underwriting and alternative credit established per insurer/guarantor guidelines.



# **Originating Agents Guide**

**JANUARY 2014**

Latest Revision: 06/08/15

**B. Great Choice Plus: Down Payment/Closing Cost Assistance Loan**

This loan offers down payment and closing cost assistance to first-time homebuyers at no interest but secured by a second deed of trust. This loan is available only with the THDA Great Choice first mortgage loan. The Great Choice Plus loan is a 0% interest rate, deferred payment, forgivable second lien. The second mortgage loan is forgiven from year 11 through year 15 at 20% per year.

<b>Eligible Borrower</b>	Homebuyer obtaining THDA Great Choice Loan
<b>Maximum Household Income</b>	THDA Great Choice Program Limits apply
<b>Maximum Loan Amount</b>	Up to 4% of Purchase Price
<b>Interest Rate</b>	0%
<b>Loan Term</b>	15 year deferred, forgivable
<b>Underwriting Criteria</b>	Borrowers must have 640 minimum credit score. Must meet all other THDA Underwriting Guidelines. Manual underwriting allowed per THDA guide.
<b>Pre-Payment</b>	The Great Choice Plus loan is due in full upon 1 <sup>st</sup> mortgage payoff, assumption, or refinance prior to year 11. From year 11 through year 15, the loan is forgiven at 20% per year. No pre-payment penalty. No assumption of Great Choice Plus allowed, with the exception of a VA assumption.
<b>Allowable Fees</b>	Normal and customary 2 <sup>nd</sup> mortgage fees
<b>Closing Documents</b>	Great Choice Plus Note and Deed of Trust in the name of THDA
<b>Homebuyer Education</b>	Required prior to closing on THDA Great Choice Plus and Homeownership for the Brave Loans
<b>Servicing</b>	No monthly second mortgage payment is collected.

### C. THDA Veterans Homeownership for the Brave Loan Program

This loan program offers a below market interest rate to qualified members of the United States military, National Guard, Veterans and some spouses. A 50 basis point rate reduction will apply to the Great Choice, based on the current rate at time of loan submission.

	THDA Veterans Homeownership for the Brave Program
<b>Maximum Loan Amount</b>	Not to exceed current THDA acquisition limits
<b>Purchase product only</b>	Refinance and second liens ineligible
<b>Maximum LTV</b>	Subject to FHA, VA, and USDA/RD Guidelines. Conventional Loans 78% LTV or less.
<b>Underwriting guidelines</b>	FHA, VA, USDA, and Conventional underwriting guidelines through D.U. apply except as modified by THDA product guidelines. Manual Underwriting acceptable with no credit score available.
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• All Veterans</li> <li>• Active Duty Military (including those in their first tour of duty)</li> <li>• Retired Military</li> <li>• Active Duty Reservists or Reservists who have served 180 days or more active duty</li> <li>• If discharged or release was done so under conditions other than dishonorable</li> <li>• Spouse of Veteran or Surviving Spouse of Veteran</li> </ul>
<b>Income</b>	Borrower's income must not exceed THDA current income limits per county. Income will be calculated based on THDA current income guidelines. Borrower must provide a DD-214 or most recent enlistment papers along with the most recent LES for active duty military
<b>First Time Homebuyer Rule</b>	First Time Homebuyer Rule does not apply: to "veterans" as defined in 38 U.S.C. Section 101, so long as the veteran did not previously receive a bond finance mortgage under this exception and, generally, includes anyone (a) who has served in the military and has been released under conditions other than dishonorable or (b) who has re-enlisted, but could have been discharged or released under conditions other than dishonorable.
<b>Minimum FICO requirement</b>	640
<b>Maximum Debt to Income ratio</b>	45%
<b>Manual Underwriting</b>	Income will be calculated based on current THDA guidelines. Borrower(s) with no credit scores may be manually underwritten using non-traditional credit guidelines in accordance with FHA, VA, and USDA/RD requirements to include those loans with an FHA Scorecard with a decision response of Refer/Eligible if the decision clearly states "No Score". If there are other risk factors stated other than "No Score", THDA will not accept the loan application.
<b>Eligible Property</b>	1 unit single family residence, townhouse or condo
<b>Occupancy</b>	Borrower/Co-borrower must occupy the property as their primary residence.
<b>Downpayment</b>	Required downpayment is based on FHA, VA or USDA program guidelines. The required downpayment for Conventional loans is 22%.
<b>Homebuyer Education</b>	8 hour Pre-purchase Homebuyer Education by a THDA approved Certified Counseling Agency required
<b>Escrows</b>	Escrow waivers are not permitted. Escrow for taxes and insurance is required

- The victim/borrower does not have to purchase in the declared disaster areas.
- Find the listed Presidentially declared disaster areas at: [www.fema.gov](http://www.fema.gov).
- The victim/borrower has to provide proof of permanent residence in the disaster area and proof of destruction of residence with the following recommended documents:
  - Proof of permanent residence: valid driver's license, voter registration card, or utility bills;
  - Proof of destruction of residence: an insurance report, an inspection report by an independent fee inspector or government agency (FEMA), or conclusive photographic evidence showing the destruction or damage.

The following properties are eligible: one unit detached homes, approved condominium projects, or spot loan condominiums. (Two, three, and four unit properties are not eligible to be purchased in this program.)

Closing costs and prepaids can be paid by the buyer, seller, Originating Agent, or through the THDA Great Choice Plus second mortgage loan program.

Standard FHA and THDA underwriting guidelines apply for qualification.

4. THDA will not accept applications from any applicant whose credit score is below 640. Borrower(s) with no credit scores, however, may be manually underwritten using non-traditional credit guidelines in accordance with FHA, VA or Rural Development requirements.
5. The total debt to income ratio must not exceed 45%. Debt to income ratio for manual underwriting must not exceed 43%.
6. Other Considerations
  - a. A Gift of Equity may be considered by THDA on a case-by-case basis on an existing home or new construction under certain circumstances. The terms of the Gift of Equity must be stated in the sales contract and must be from an immediate family member. Immediate family member is defined as parents, siblings and grandparents. If the home is proposed or under construction, the maximum loan cannot exceed the borrower's actual cost of construction plus the borrower's actual cost of the lot, both of which must be verified. THDA reserves the right to ask for or require additional documentation on any loan with a Gift of Equity.
  - b. For transactions involving estate sales wherein the Applicant is an heir, the maximum loan amount must be calculated after deducting the Applicant/heir's anticipated share of the sale proceeds.

#### **D. Security**

All THDA loans must be secured by a first lien on the property. In addition, at the option of the borrower, a Great Choice Plus loan for DPA/closing costs assistance may be provided. All Great Choice Plus loans must be secured by a second lien on the property.

#### **E. Loan Payment Terms**

##### **1. Great Choice**

Great Choice loans must be fully amortized, with level payments, and must be for a term of 30 years. If a 30 year loan term exceeds the economic life of the property, as provided in the appraisal report, THDA may not approve the loan.

## SECTION 5: PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS

### **5.1 OVERVIEW**

#### **A. Disclosures**

##### **1. Great Choice**

Originating agents are required to provide all disclosures that comply with all federal and state laws and/or regulations. These include, without limitation, signed and dated copies of good faith estimates, Reg. Z or Truth in Lending, Tennessee Residential Property Condition Disclosure and transfer of servicing disclosures.

##### **2. Great Choice Plus**

Originating agents will provide all disclosures that comply with all federal and state laws and/or regulations.

#### **B. Underwriting Guidelines, Debt Ratios, Credit Scores, Compensating Factors**

Eligible applicants must meet credit underwriting standards of the relevant insuring program, as evidenced by the approval of a Direct Endorsement underwriter or the insurer, program accepted, underwriting software, i.e. Loan Prospector (LP), Desktop Underwriter (DU). LP or DU acceptance must also be signed by the Originating Agent underwriter or processor verifying the accuracy of information or data required to receive approval.

All loan submissions with a borrower(s) credit score (middle score or lowest score if only two scores) below 640 will not be eligible for THDA funding. THDA will accept loans with the following decision responses which shall meet the following THDA requirements:

1. Approve/Eligible: Maximum debt ratio of 45% and a minimum credit score of 640.
2. Refer/Eligible - due to "no score" only: Loans must be manually underwritten using non-traditional credit guidelines in accordance with FHA guidelines, maximum debt ratio of 45%.
3. Refer/Eligible: Loans must be manually underwritten, maximum debt ratio of 43%, minimum credit score of 640, and must meet two of the three THDA overlays listed below.
  - The borrower must have a verified rental history. Verification of rental (VOR) is acceptable if borrower is renting from a commercial management company; or 12 months canceled checks/bank verification if borrower is renting from a private landlord.
  - One month PITI in reserves. This cannot be a gift.
  - A two year job history with a minimum of 12 months at current employer.
4. Approve/Ineligible: As it refers to the HUD REO \$100.00 down payment program only, maximum debt ratio of 45% and minimum credit score of 640.

All THDA loan application packages will be required to include a copy of the completed FHA Loan Underwriting and Transmittal Summary or Loan Analysis signed by an authorized program endorsed underwriter of the Originating Agent, or correspondent underwriting agent. (See Section 6.2. K)

Any closed loan subsequently determined to be ineligible for program insurance due to non-compliance with that program's credit underwriting guidelines will be ineligible for THDA funding and subject to repurchase without exception.

#### **C. Homebuyer Education**

Great Choice Plus and Homeownership for the Brave borrowers are required to obtain pre-purchase education and counseling provided by a certified THDA counselor at one of the approved agencies listed on THDA's website at [www.thda.org](http://www.thda.org). This course is an eight hour face to face training session which usually combines a 6-7 hour group class with an hour of individual one-on-one counseling.

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 100**

May 22, 2015

**Remove and discard:**

**Replace with enclosed:**

Page 3 (Revised 10/17/14)..... Page 3 (Revised 05/26/15)

**EFFECT OF CHANGE**

Effective Tuesday, **May 26, 2015**, the interest rate on all Great Choice Mortgage Loan applications will be changed to **4.10%**. Based on this rate the Homeownership for the Brave Loan Program will be **3.60%** for eligible applicants. All loan applications, including electronic submissions, received on or after **May 26, 2015** must be submitted at the new rate.



#### **1.4. CURRENT THDA LOAN PROGRAMS**

##### **A. Great Choice Loan Program**

This program is designed for low and moderate income borrowers. Great Choice offers a low interest rate loan secured by a first mortgage with the option of downpayment and closing cost assistance to a maximum of 4% of the purchase price at a 0% interest rate, 15 year deferred, forgivable loan secured by a second deed of trust. THDA allows the following loan types: FHA, USDA, and VA at the maximum loan limits based on insurer or guarantors guidelines. THDA also allows conventional uninsured loans with a maximum loan to value of 78%.

<b>Maximum Household Income</b>	Varies by county
<b>Maximum Acquisition Cost (Including all incidentals)</b>	Varies by county
<b>Maximum LTV</b>	Subject to FHA, VA, and USDA/RD Guidelines. Conventional Loans 78% LTV or less.
<b>Interest Rate</b>	<b>4.10%</b> fixed rate, subject to change
<b>Loan Term</b>	30 years
<b>Loan Types</b>	FHA, VA, USDA/RD, Conventional
<b>Mortgage Insurance or Guarantee</b>	As required by loan type
<b>Buydowns</b>	Not allowed
<b>Assumable</b>	Subject to qualifying
<b>Pre-Payment Penalty</b>	No penalty
<b>Subject to Recapture</b>	Yes
<b>Required Reserve</b>	As required by loan type
<b>Minimum Investment</b>	As required by loan type
<b>Closing Costs</b>	May come from borrower, seller, a gift, or as required by loan type
<b>Down Payment</b>	As required by loan type
<b>First Time Homebuyer Rule</b>	Borrower must not have an interest in their primary residence within 36 months of application <b>unless</b> the property to be financed with the loan is in a targeted area or the borrower meets the Veteran's exemption. (See THDA website for targeted areas.)
<b>Homebuyer Education</b>	Not required
<b>Origination Fee</b>	Up to 2% maximum
<b>Discount Point</b>	Up to .25

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 101**

June 30, 2015

**Remove and discard:**

**Replace with enclosed:**

Page 10 (Revised 06/02/14)..... Page 10 (Revised 07/20/15)

**EFFECT OF CHANGE**

**Effective Monday July 20, 2015**, the Household Income Limits decrease for 11 Tennessee counties:

- Anderson
- Blount
- Bradley
- Hamilton
- Knox
- McMinn
- Montgomery
- Moore
- Roane
- Sevier
- Shelby

All THDA loan applications received on or after July 20, 2015 will be considered in accordance with these new Household Income Limits.

## D. Current Acquisition Cost Limits By MSA\*/County

Counties		Household Income Limits		Counties		Household Income Limits	
		1-2 Persons	3 + Persons			1-2 Persons	3 + Persons
Anderson		\$240,000	\$61,762	Lewis		\$240,000	\$55,080
Bedford		\$240,000	\$59,160	Lincoln	T	\$275,000	\$65,280
Benton		\$240,000	\$54,600	Loudon	T	\$275,000	\$72,600
Bledsoe	T	\$275,000	\$65,280	Macon	T	\$275,000	\$65,280
Blount		\$240,000	\$61,762	Madison	T	\$275,000	\$65,280
Bradley	*	\$240,000	\$59,160	Marion	T	\$275,000	\$66,120
Campbell	T	\$275,000	\$65,280	Marshall		\$240,000	\$62,280
Cannon	T	\$275,000	\$76,800	Maurry	T	\$275,000	\$65,280
Carroll	T	\$275,000	\$65,280	McMinn		\$240,000	\$60,360
Carter		\$240,000	\$61,440	McNairy	T	\$275,000	\$65,280
Cheatham		\$275,000	\$76,800	Meigs	T	\$275,000	\$65,280
Chester	T	\$275,000	\$65,280	Monroe	T	\$275,000	\$65,280
Claiborne	T	\$275,000	\$65,280	Montgomery	*	\$240,000	\$61,680
Clay	T	\$275,000	\$65,280	Moore		\$240,000	\$61,922
Cocke	T	\$275,000	\$65,280	Morgan	T	\$275,000	\$65,280
Coffee	*	\$240,000	\$61,320	Obion	T	\$275,000	\$65,280
Crockett	T	\$275,000	\$65,280	Overton	T	\$275,000	\$65,280
Cumberland		\$240,000	\$54,960	Perry		\$240,000	\$54,600
Davidson	*	\$275,000	\$76,800	Pickett	T	\$275,000	\$65,280
Decatur		\$240,000	\$58,800	Polk	T	\$275,000	\$65,280
DeKalb	T	\$275,000	\$65,280	Putnam		\$240,000	\$57,480
Dickson		\$275,000	\$76,800	Rhea	T	\$275,000	\$65,280
Dyer	T	\$275,000	\$65,280	Roane		\$240,000	\$62,902
Fayette	T	\$275,000	\$68,040	Robertson	*	\$275,000	\$76,800
Fentress	T	\$275,000	\$65,280	Rutherford	*	\$275,000	\$76,800
Franklin	T	\$275,000	\$65,280	Scott	T	\$275,000	\$65,280
Gibson	T	\$275,000	\$65,280	Sequatchie	T	\$275,000	\$66,120
Giles	T	\$275,000	\$65,280	Sevier		\$240,000	\$60,960
Grainger	T	\$275,000	\$65,280	Shelby	*	\$240,000	\$62,482
Greene	T	\$275,000	\$65,280	Smith		\$275,000	\$65,640
Grundy	T	\$275,000	\$65,280	Stewart	T	\$275,000	\$65,280
Hamblen	*	\$240,000	\$55,440	Sullivan	*	\$240,000	\$60,720
Hamilton	*	\$240,000	\$62,422	Sumner		\$275,000	\$76,800
Hancock	T	\$275,000	\$65,280	Tipton	T	\$275,000	\$68,040
Hardeman	T	\$275,000	\$65,280	Trousdale	T	\$275,000	\$76,800
Hardin	T	\$275,000	\$65,280	Unicoi	T	\$275,000	\$65,280
Hawkins	T	\$275,000	\$65,280	Union	T	\$275,000	\$72,600
Haywood	T	\$275,000	\$65,280	Van Buren	T	\$275,000	\$65,280
Henderson	T	\$275,000	\$65,280	Warren		\$240,000	\$54,600
Henry	*	\$240,000	\$59,520	Washington	*	\$240,000	\$61,440
Hickman	T	\$275,000	\$65,280	Wayne	T	\$275,000	\$65,280
Houston	T	\$275,000	\$65,280	Weakley	*	\$240,000	\$58,440
Humphreys		\$240,000	\$62,040	White	T	\$275,000	\$65,280
Jackson	T	\$275,000	\$65,280	Williamson		\$275,000	\$76,800
Jefferson	T	\$275,000	\$65,280	Wilson		\$275,000	\$76,800
Johnson	T	\$275,000	\$65,280	<p>T Denotes a targeted county. The first-time homebuyer requirement is waived.</p> <p>* Denotes that some census tracts in the county are targeted, and in these census tracts, the first-time homebuyer requirement is waived.</p>			
Knox	*	\$240,000	\$61,762				
Lake	T	\$275,000	\$65,280				
Lauderdale	T	\$240,000	\$65,280				
Lawrence	T	\$240,000	\$65,280				

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 102**

July 29, 2015

**Remove and discard:**

**Replace with enclosed:**

Page 10 (Revised 07/20/15).....Page 10 (Revised 08/01/15)

**EFFECT OF CHANGE**

**Effective August 1, 2015**, the Acquisition Cost Limits will increase for all Tennessee counties.

**Effective August 1, 2015**, the Household Income Limits will increase for all Tennessee counties except:

- Anderson
- Blount
- Bradley
- Hamilton
- Knox
- McMinn
- Montgomery
- Moore
- Roane
- Sevier
- Shelby

All THDA loan applications received on or after August 1, 2015 will be considered in accordance with these new Acquisition Cost Limits and Household Income Limits.

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 103**

July 31, 2015

**Remove and discard:**

**Replace with enclosed:**

Page ii (January 2014).....	Page ii (Revised 08/01/15)
Page iii (January 2014).....	Page iii (Revised 08/01/15)
Page v (Revised 10/01/14).....	Page v (Revised 08/01/15)
Page 2 (Revised 04/07/15).....	Page 2 (Revised 08/01/15)
Page 5 (Revised 06/08/15).....	Page 5 (Revised 08/01/15)
Page 24 (Revised 02/26/15).....	Page 24 (Revised 08/01/15)
Page 25 (Revised 02/02/15).....	Page 25 (Revised 08/01/15)
Page 26 (January 2014).....	Page 26 (Revised 08/01/15)
Page 29 (January 2014).....	Page 29 (Revised 08/01/15)
Page 30 (January 2014).....	Page 30 (Revised 08/01/15)
Page 31 (January 2014).....	Page 31 (Revised 08/01/15)
Page 32 (January 2014).....	Page 32 (Revised 08/01/15)
Page 49 (Revised 02/26/15).....	Page 49 (Revised 08/01/15)
Page 50 (Revised 02/26/15).....	Page 50 (Revised 02/26/15)

Underwriting Submission Checklist

*Form HO-0549 (02.15)* ..... *Form HO-0549 (08.15)*

Great Choice Plus Second Promissory Note

*Form HO-0503 (09/2014v2)* ..... *Form HO-0503 (REV 04/2015)*

**EFFECT OF CHANGE**

- **Effective August 1, 2015**, online homebuyer education is approved for all borrowers.
- Page 2 reflects updated THDA staff listing.
- Form HO-0549, Underwriting Submission Checklist is updated.
- Form HO-0503, *Great Choice Plus Loan Program Second Promissory Note* was updated in April, 2015 with minor language revision and uploaded to the THDA website. The updated form is included with this Revision.



# **Originating Agents Guide**

JANUARY 2014

Latest Revision: 08/01/15

	<b><u>Page</u></b>
4.3 Eligible Loan Types and Terms .....	21
Types of Loans.....	21
Maximum Loan-To-Value Ratios.....	21
Maximum Loan Amount.....	21
Security .....	22
Loan Payment Terms .....	22
Prepayment Penalty .....	23
Late Charge.....	23
Origination Fee .....	23
Assumptions.....	23
4.4 Federal Recapture.....	23

## **SECTION 5: PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS**

5.1 Overview .....	24
Disclosures.....	24
Underwriting Guidelines, Debt Ratios, Credit Scores, Compensating Factors .....	24
Homebuyer Education .....	24
Age of Credit Documents .....	25
Qualifying Spouse.....	25
Non-Qualifying Spouse .....	25
Co-Signers .....	26
5.2 Assets .....	26
Substantial Liquid Assets.....	26
Sale of Assets.....	26
Gift Letter .....	26
5.3 Verifications.....	26
Employment Verifications.....	26
Sole Proprietorship Verifications.....	27
Partnership Verifications .....	27
Limited Partnership Verifications.....	27
Subchapter S Corporation Verifications .....	27
Corporation Verifications .....	27
Deposit Verifications .....	27
Veteran Status .....	27
FHA 203(h) Proof of Permanent Residence .....	27
FHA 203(h) Proof of Destruction of Residence .....	27
5.4 Debts, Obligations and Other Expenses.....	28
Remaining Debt Payments.....	28
Bankruptcy (Chapter 7 and Chapter 13) .....	28
Previous Default .....	28
Child Support and Alimony Obligations .....	28
Judgments .....	28
Federal or State Tax Liens, Tax Arrearages .....	28
Collections .....	28
Co-Signed Debt.....	28
Child Care Expense.....	28
Gift Letter .....	28
Legally Enforceable Obligation Letter .....	28

## PART III PROCEDURES

### SECTION 6: SUBMITTING AN APPLICATION FILE TO THDA

### Page

6.1	Overview .....	29
6.2	Required Documents .....	29
	Underwriting Submission Checklist .....	29
	Buyer Profile .....	29
	Application Affidavit .....	29
	Veteran Exemption Application Affidavit .....	29
	Seller Affidavit .....	29
	Application for Assistance .....	29
	Tax Returns .....	29
	Notice to Applicants Federal Recapture Requirements .....	30
	Grants/Downpayment Assistance Approval Letters .....	30
	Transmittal Summary (Conventional and USDA/RD) .....	30
	Insurance/Guaranty Approval .....	30
	Loan Application (1003) .....	31
	Positive Identification .....	31
	Credit Report .....	31
	Final Divorce Decree/Marital Dissolution; Court Ordered Child Support; SSI or Other Assistance .....	31
	Verification of Employment; Most Recent Pay Stub; Form Evidencing Telephone Verification of Prior Employment; Self Employment .....	31
	Documentation for Veteran Exemption .....	31
	Original Certificate of Title or Original Manufactured Certificate of Origin .....	31
	Verification of Deposit or Bank Statements for Previous Two Months .....	31
	Sales Contract .....	32
	FHA Conditional Commitment .....	32
	Appraisal .....	32
	Flood Notification .....	32
	Good Faith Estimate .....	32
6.3	Documenting New Construction for Custom Built Homes .....	32
	Documentation Required .....	32
	Manufactured Housing .....	32
	Borrower Obtains Construction Loan .....	33
6.4	THDA Underwriting Decisions .....	33
	THDA Underwriting Results .....	33
	Rejections .....	33
	Re-Submissions .....	33
6.5	Commitments .....	33
	Application Approval .....	33
	Commitment Term .....	33
	Commitment Conditions .....	34
	Satisfying THDA Commitment Conditions .....	34
	Update of Application or Commitment .....	34
	Loan Amount or Program Type Changes .....	34
	Commitment Delivery .....	35
	Voided Commitments .....	35



	<u>Page</u>
8.4 Required Documents For A Complete Closed Loan File.....	44
Closed Loan Submission Checklist .....	44
Request For Loan Purchase with Acknowledgement and Certification .....	44
Commitment .....	45
Original Note .....	45
Deed of Trust .....	45
Affidavit of Affixation.....	45
Assignment .....	45
Title Insurance Policy/Endorsements.....	45
Warranty Deed.....	46
HUD-1 .....	46
Truth in Lending .....	46
Hazard Insurance .....	46
Termite Inspection/Treatment Certificate .....	46
Flood Insurance.....	46
Commitment Conditions.....	46
Copy of MIC/LGC; USDA/RD 1980-17, or as Applicable.....	47
Final Loan Application (1003).....	47
8.5 Loan Repurchase.....	47
Repurchase Obligation.....	47
Repurchase Price.....	48
Repurchase Procedure.....	48
8.6 Additional Information.....	48
THDA Reports .....	48

## **PART IV ADDITIONAL INFORMATION**

### **SECTION 9: THDA FORMS AND INSTRUCTIONS**

Application Affidavit (HO-0450).....	49
Veteran Exemption Application Affidavit (HO-0460).....	49
Notice to Applicants Federal Recapture Requirements (HO-0448).....	49
Seller Affidavit (HO-0451).....	50
Application for Assistance (HO-0573) .....	50
Buyer Profile (HO-0439) .....	50
Underwriting Submission Checklist (HO-0549) .....	50
Affidavit of Affixation (HO-0453).....	51
Legally Enforceable Obligation Letter (HO-0476).....	51
Closed Loan Submission Checklist (HO-0541).....	51
THDA Rider (HO-0440).....	51
Request for Loan Purchase with Acknowledgement and Certification (HO-0444) .....	52
Disclosure of Loan Terms for Great Choice Plus Second Mortgage Loan.....	52

Single Family General Information..... 615-815-2100  
Toll-Free Voice Mail..... 1-800-228-8432  
Fax (24 hours a day, 7 days a week) ..... 615-564-2881

<u>Staff</u>	<u>Telephone</u>	<u>Email Address</u>
Lindsay Hall, Senior Director of Single Family Programs	615-815-2080	lhall@thda.org
Nancy Herndon, Assistant to Senior Director of Single Family	615-815-2101	nherndon@thda.org
Rhonda Ronnow, Director of Loan Operations	615-815-2111	rronnow@thda.org
Marvene Carey, Loan Production Advisor	615-815-2079	mcarey@thda.org
Cynthia Peraza, Program Development Coordinator	615-815-2112	cperaza@thda.org
Rhonda Ellis, Mortgage Specialist, Processing	615-815-2103	rellis@thda.org
Sharon Campbell, Underwriter	615-815-2088	scampbell@thda.org
Pam Norris, Underwriter	615-815-2087	pnorris@thda.org
Tammy Walker, Underwriter	615-815-2091	twalker@thda.org
Lynne Walls, Underwriter	615-815-2089	lwalls@thda.org
Predeshia Anderson	615-815-2084	panderson@thda.org
Sharon Pommer, Servicing Advisor	615-815-2078	spommer@thda.org
Ginny Boles, Servicing Coordinator	615-815-2097	gboles@thda.org
Debbie Couch, Servicing Specialist	615-815-2096	dcouch@thda.org
Steven Lamb, Programs Administrator, Servicing	615-815-2083	slamb@thda.org
Chuck Pickering, Closing Manager	615-815-2086	cpickering@thda.org
Bonnie Fowler, Closing Coordinator	615-815-2081	bfowler@thda.org
Caroline Rhodes, Mortgage Specialist, Closing	615-815-2098	crhodes@thda.org
Sandy Kist, Mortgage Specialist, Closing	615-815-2092	skist@thda.org
Larisa Stout, KMTH Recertification Manager	615-815-2093	lstout@thda.org
Jayna Johnson, Homebuyer Education Manager	615-815-2019	jjohnson@thda.org
Donna Neal, Homebuyer Education Specialist	615-815-2085	dneal@thda.org
Debbie Reeves, Director-Comm. Outreach & Business Development	626-815-2152	dreeves@thda.org

### C. THDA Veterans Homeownership for the Brave Loan Program

This loan program offers a below market interest rate to qualified members of the United States military, National Guard, Veterans and some spouses. A 50 basis point rate reduction will apply to the Great Choice, based on the current rate at time of loan submission.

	<b>THDA Veterans Homeownership for the Brave Program</b>
<b>Maximum Loan Amount</b>	Not to exceed current THDA acquisition limits
<b>Purchase product only</b>	Refinance and second liens ineligible
<b>Maximum LTV</b>	Subject to FHA, VA, and USDA/RD Guidelines. Conventional Loans 78% LTV or less.
<b>Underwriting guidelines</b>	FHA, VA, USDA, and Conventional underwriting guidelines through D.U. apply except as modified by THDA product guidelines. Manual Underwriting acceptable with no credit score available.
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• All Veterans</li> <li>• Active Duty Military (including those in their first tour of duty)</li> <li>• Retired Military</li> <li>• Active Duty Reservists or Reservists who have served 180 days or more active duty</li> <li>• If discharged or release was done so under conditions other than dishonorable</li> <li>• Spouse of Veteran or Surviving Spouse of Veteran</li> </ul>
<b>Income</b>	Borrower's income must not exceed THDA current income limits per county. Income will be calculated based on THDA current income guidelines. Borrower must provide a DD-214 or most recent enlistment papers along with the most recent LES for active duty military
<b>First Time Homebuyer Rule</b>	First Time Homebuyer Rule does not apply: to "veterans" as defined in 38 U.S.C. Section 101, so long as the veteran did not previously receive a bond finance mortgage under this exception and, generally, includes anyone (a) who has served in the military and has been released under conditions other than dishonorable or (b) who has re-enlisted, but could have been discharged or released under conditions other than dishonorable.
<b>Minimum FICO requirement</b>	640
<b>Maximum Debt to Income ratio</b>	45%
<b>Manual Underwriting</b>	Income will be calculated based on current THDA guidelines. Borrower(s) with no credit scores may be manually underwritten using non-traditional credit guidelines in accordance with FHA, VA, and USDA/RD requirements to include those loans with an FHA Scorecard with a decision response of Refer/Eligible if the decision clearly states "No Score". If there are other risk factors stated other than "No Score", THDA will not accept the loan application.
<b>Eligible Property</b>	1 unit single family residence, townhouse or condo
<b>Occupancy</b>	Borrower/Co-borrower must occupy the property as their primary residence.
<b>Downpayment</b>	Required downpayment is based on FHA, VA or USDA program guidelines. The required downpayment for Conventional loans is 22%.
<b>Homebuyer Education</b>	Required prior to closing
<b>Escrows</b>	Escrow waivers are not permitted. Escrow for taxes and insurance is required

## SECTION 5: PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS

### **5.1 OVERVIEW**

#### **A. Disclosures**

##### **1. Great Choice**

Originating agents are required to provide all disclosures that comply with all federal and state laws and/or regulations. These include, without limitation, signed and dated copies of good faith estimates, Reg. Z or Truth in Lending, Tennessee Residential Property Condition Disclosure and transfer of servicing disclosures.

##### **2. Great Choice Plus**

Originating agents will provide all disclosures that comply with all federal and state laws and/or regulations.

#### **B. Underwriting Guidelines, Debt Ratios, Credit Scores, Compensating Factors**

Eligible applicants must meet credit underwriting standards of the relevant insuring program, as evidenced by the approval of a Direct Endorsement underwriter or the insurer, program accepted, underwriting software, i.e. Loan Prospector (LP), Desktop Underwriter (DU). LP or DU acceptance must also be signed by the Originating Agent underwriter or processor verifying the accuracy of information or data required to receive approval.

All loan submissions with a borrower(s) credit score (middle score or lowest score if only two scores) below 640 will not be eligible for THDA funding. THDA will accept loans with the following decision responses which shall meet the following THDA requirements:

1. Approve/Eligible: Maximum debt ratio of 45% and a minimum credit score of 640.
2. Refer/Eligible - due to “no score” only: Loans must be manually underwritten using non-traditional credit guidelines in accordance with FHA guidelines, maximum debt ratio of 45%.
3. Refer/Eligible: Loans must be manually underwritten, maximum debt ratio of 43%, minimum credit score of 640, and must meet two of the three THDA overlays listed below.
  - The borrower must have a verified rental history. Verification of rental (VOR) is acceptable if borrower is renting from a commercial management company; or 12 months canceled checks/bank verification if borrower is renting from a private landlord.
  - One month PITI in reserves. This cannot be a gift.
  - A two year job history with a minimum of 12 months at current employer.
4. Approve/Ineligible: As it refers to the HUD REO \$100.00 down payment program only, maximum debt ratio of 45% and minimum credit score of 640.

All THDA loan application packages will be required to include a copy of the completed FHA Loan Underwriting and Transmittal Summary or Loan Analysis signed by an authorized program endorsed underwriter of the Originating Agent, or correspondent underwriting agent. (See Section 6.2. K)

Any closed loan subsequently determined to be ineligible for program insurance due to non-compliance with that program’s credit underwriting guidelines will be ineligible for THDA funding and subject to repurchase without exception.

#### **C. Homebuyer Education**

Great Choice Plus and Homeownership for the Brave borrowers are required to obtain pre-purchase homebuyer education and counseling provided by a THDA approved Homebuyer Education (HBEI) Provider at one of the approved agencies listed on THDA’s website at [www.thda.org](http://www.thda.org). Each person on the loan is required to obtain homebuyer education. The following formats are available for Homebuyer Education:

1. Face-to-Face

- An eight hour class or workshop
- A seven hour class or workshop, paired with a minimum of one hour of individual counseling
- A minimum of four hours of face-to-face, one-on-one homebuyer counseling

2. Online Education

- A minimum of one hour of individual counseling paired with THDA's approved eHomeAmerica online homeownership education course
  - The borrower may access the course via THDA's website or by contacting the approved Provider agency directly.
  - The borrower will select an HBEI Provider and pay a fee during the online registration process.
  - Upon completion of the course, the borrower will be contacted by the HBEI Provider and required to participate in a one hour counseling session. The session provides follow-up counseling on the test questions and additional counseling regarding the customer's budget and responsibilities as a homeowner.

After the Homebuyer Education course is completed, the HBEI Provider will provide the borrower with their THDA Certificate of Completion. The certificate will be in effect for 12 months.

**D. Age of Credit Documents**

All credit documents must be current when submitted to THDA for underwriting. For Commitments with a term of six months (permanent financing on new construction), income documents more than 180 days old must be updated and resubmitted for THDA review and approval when construction is complete.

All updates and requests for extension of the Commitment must be submitted with updated documents for THDA approval prior to the Commitment expiration date.

**E. Qualifying Spouse**

When an application is made by two people, both are considered co-applicants for THDA eligibility purposes. Both must sign the Application Affidavit and the income of both persons must be included in calculating Household Income as described in Section 3.3. Both persons must execute the Note and the Deed of Trust.

**F. Non-Qualifying Spouse**

1. Cannot have owned principal residence in the past three years unless present property being purchased is in a targeted area.
2. Items required as documentation on the non-qualifying spouse:

- a. Income verified and a current pay stub.
- b. Signature on an original Application Affidavit (can be on the same Affidavit as borrower or on a separate Affidavit).
- c. Copy of the most recent tax year Federal Income Tax Return and W-2's.
- d. Signature on the Deed of Trust at closing (signing away marital interest).

**G. Co-Signers**

THDA will not approve any loan that includes the use of a co-signer.

**5.2 ASSETS**

**A. Substantial Liquid Assets**

If an Applicant has non-recurring deposits in excess of \$300 the Applicant must explain the source and circumstances of such deposits. THDA will make a case-by-case determination of the acceptable level of liquid assets and/or recurring income based on the information and documentation provided in the application file.

**B. Sale of Assets**

Funds to close the THDA loan that are obtained from the sale of an asset must be documented. Include a copy of the bill of sale.

If the source of funds to close are from the sale of commercial property, manufactured home (chattel) or non-owner occupant residential real estate, documentation must be provided to establish whether income is being received, or will be received, or to show that the property was sold and not retained for rental income. If there is financing income or rental income, it must be included in Household Income (See Section 3.3).

**C. Gift Letter**

A gift letter must be properly documented and verified in accordance with program insurer guidelines.

**5.3 VERIFICATIONS**

**A. Employment Verifications**

Full documentation is required for THDA. All current full-time and part-time employment or self-employment covering a period of at least the last two years must be verified in writing. Telephone verification is acceptable on previous employment. For current employment not verified with a standard

## **SECTION 6: SUBMITTING AN APPLICATION FILE TO THDA**

### **6.1 OVERVIEW**

Originating Agents must present accurate and complete information with each application file. Information withheld or misrepresented may void a Commitment or if discovered subsequent to loan closing, could result in a requirement for repurchase of the loan. Should the Originating Agent become aware prior to closing that either the household composition first proposed, and/or the household income first proposed has changed or will change prior to closing, THDA must be notified immediately and updated loan documentation must be submitted.

The application file as submitted to THDA, must have all documentation being submitted in the order shown on the THDA Underwriting Submission Checklist.

### **6.2 REQUIRED DOCUMENTS**

#### **A. Underwriting Submission Checklist**

Include this form with each application file submitted to THDA for underwriting. See Section 9. If the borrower(s) is applying for the Great Choice Plus loan in conjunction with their application for a Great Choice loan, both blocks under Program Type must be checked.

#### **B. Buyer Profile**

A completed Buyer Profile must be included in the application file when submitted for THDA underwriting. See Section 9 for instructions.

#### **C. Application Affidavit**

The original executed and notarized Application Affidavit must be received as part of the loan submission package. The Application Affidavit must be signed by each loan applicant. Married applicants must both sign the Application Affidavit and meet first-time homebuyer eligibility requirements, even if a non-qualifying applicant or spouse is involved.

#### **D. Veteran Exemption Application Affidavit**

The original executed and notarized Veteran Exemption Application Affidavit must be received as part of the loan submission package if the veteran is applying under the exception to the three year requirement. Married veteran applicants must both sign the Veteran Exemption Application Affidavit and the veteran's spouse does not have to meet the three year requirement.

#### **E. Seller Affidavit**

The seller of the property must execute a Seller Affidavit for each application file submitted to THDA. The original Seller Affidavit is required as part of the initial package submission. See Section 9 for additional information.

#### **F. Application for Assistance**

This completed form must be included in each loan application package submitted under the Great Choice Plus Loan Program.

## **G. Tax Returns**

Copies of signed and dated Federal Income Tax Returns, including W-2's, for the most recent tax year for the Applicant(s) and/or any non-qualifying spouse must be included in the initial application file. A Federal Income Tax Return also must be included in the initial application file for any household member 18 years or older who is required to file a Federal Income Tax Return.

If an Applicant or other household member 18 years of age or older cannot provide a copy of their most recent Federal Income Tax Return, they must obtain an IRS Tax Transcript or IRS Letter 1722, which are available from the IRS office where the tax return was filed. The Tax Transcript must be signed and dated by the tax payer. Transcripts may be ordered by using IRS Form 4506. If an Applicant or household member was not required to file a Federal Income Tax Return, provide a signed and dated statement specifying why they were not required to file.

THDA, at its sole discretion, may require the most recent three years Federal Income Tax Returns if there is any indication in the loan file of prior homeownership.

## **H. Notice To Applicants Federal Recapture Requirements**

This THDA disclosure is required for all loan types and must be signed at the time of application. Include the signed original in the application file. Furnish the Applicant a copy of the signed original.

## **I. Grants/Downpayment Assistance Approval Letters**

If the Applicant expects to receive a grant or downpayment assistance from an entity other than THDA to facilitate the purchase of the property, include an approval/award letter from the granting organization indicating the type of assistance and the approved amount in the application file. The granting entity must be approved by the insured or guarantors and meet all the guidelines.

## **J. Transmittal Summary (Conventional and USDA/RD)**

Include a Transmittal Summary with each conventional and USDA/RD application. This form is considered as the Originating Agent's underwriting approval and must be signed and dated by the underwriter.

## **K. Insurance/Guaranty Approval**

Based on the applicable loan type, include a copy of one of the following, accompanied by a copy of its condition sheet (if approved with conditions):

1. FHA/Mortgage Credit Analysis Worksheet signed and dated by a DE Underwriter if manually underwritten. If using LP or DU automated underwriting systems and states an Accept/Approve, then an underwriter's signature is not required. CHUMS number must be ZFHA; or
2. VA (or VA Automatic) approval signed and dated by VA or the Originating Agent's Automatic underwriter; or
3. Executed USDA/RD 1980-18.



**L.      Loan Application (1003)**

Include the initial 1003, signed and dated by the Applicant(s) and the loan officer and final 1003. Three years of residency must be stated on the 1003.

**M.      Positive Identification**

For all loan types, positive identification of each Applicant must be obtained in accordance with insurer or guarantor guidelines. It is the Originating Agents responsibility to insure that those guidelines are met.

**N.      Credit Report**

The original credit report must be included in the application file unless it is required to be submitted to the insurer or guarantor. The Applicant's credit report must comply with the program insurer's minimum acceptable credit verification guidelines. Merged credit reports that comply with program guidelines are acceptable.

**O.      Final Divorce Decree/Marital Dissolution; Court Ordered Child Support; SSI or Other Assistance**

Include copies of any or all of these documents, as applicable.

**P.      Verification of Employment; Most Recent Pay Stub; Form Evidencing Telephone Verification of Prior Employment; Self-Employment**

See Sections 5.3 and 5.4.

**Q.      Documentation for Veteran Exemption**

VA Form DD-214 if applicant is a discharged or released veteran. VA Form DD-4 if applicant has re-enlisted, but was eligible for a discharge or release at the time of re-enlistment.

**R.      Original Certificate of Title or Original Manufactured Certificate of Origin (Manufactured Home)**

The **original** Certificate of Title with any lien noted thereon having been marked released, or **original** Manufactured Certificate of Origin ("MCO") in the name of the seller of the subject property or having been endorsed to the seller **MUST** be included in the Underwriting Submission package. The file may be submitted electronically, however, a commitment will not be issued until THDA receives the **original** Certificate of Title or **original** "MCO".

The only exception to this requirement is, if the seller of the subject property has a mortgage on the property and the lien holder is in possession of the title or MCO and will not release it until their loan is paid off. Under this scenario, a copy of the Certificate of Title or MCO must be included in the Underwriting Submission package and the commitment will be conditioned to receive the **original** Certificate of Title or MCO with the Closed Loan package. However, THDA will not purchase the loan until we receive the **original** Certificate of Title or **original** MCO.

**S.      Verification of Deposit or Bank Statements for Previous Two Months**

See Sections 5.3.

**T. Sales Contract**

Include a copy of the purchase agreement (fully executed by seller and Applicant) in the application file. Information in the application file. Any changes to the purchase agreement must be initialed by seller and Applicant.

**U. FHA Conditional Commitment**

Enclose the HUD Form 92800.5B (FHA Conditional Commitment) and the Appraisal Analysis Sheet, both signed by the DE Underwriter.

**V. Appraisal**

Enclose an original Uniform Residential Appraisal Report (FMNA 1004) in the application file. The Uniform Residential Appraisal Report must reflect inspections of both the interior and exterior of the dwelling. If the original Appraisal must be submitted to the loan insurer or guarantor, a legible copy must be enclosed.

If the negotiated sales price for the property was modified after the Appraisal was provided, enclose a letter from the appraiser that indicates any changes in the appraiser's conclusions.

**W. Flood Notification**

If the property lies within a Special Flood Hazard Zone, the Originating Agent must make proper and timely disclosure to the Applicant in compliance with federal regulations. Provide a life of loan Flood Hazard certification with the initial underwriting submission package or closed loan documents.

**X. Good Faith Estimate**

The initial Good Faith Estimate (GFE) must be included in the Underwriting Submission Package and any subsequent changes in the GFE, if necessary, must be included in the Closed Loan Submission Package.

**6.3 DOCUMENTING NEW CONSTRUCTION FOR CUSTOM BUILT HOMES**

**NOTE:** *This section does not apply to the purchase of a new or proposed residence located on a lot that is not owned by the Applicant prior to the date of the loan closing.*

**A. Documentation Required**

1. Copy of Warranty Deed to lot.
2. Copy of construction contract.
3. Contractor's detailed cost estimate, if applicable.
4. Contractor's final itemized bill, if applicable.
5. Final inspection with photos, when complete.

**B. Manufactured Housing**

For manufactured housing, additional or substituted documentation must include a contract for the manufactured home and documentation for the cost of foundation, utilities, landscaping, driveways and all other necessary improvements.

## **SECTION 9: THDA FORMS AND INSTRUCTIONS**

As a result of Tax Code requirements, THDA must require certain forms. Application files or closed loan packages that do not contain fully executed THDA forms, as required, will not be accepted by THDA. These forms must be included in THDA application files and in THDA closed loan packages as indicated in this Guide. THDA forms are in addition to the typical forms utilized in the mortgage industry. These forms are to be considered part of this Guide.

THDA forms may not be altered.

THDA forms may not be distributed to a lender who is not an Originating Agent or to any other unauthorized individual or entity.

Detailed instructions for completion of each THDA form follows in the order that they are typically encountered in the lending process:

- Application Affidavit HO-0450 (03/11)
- Veteran Exemption Application Affidavit HO-0460 (02/07)
- Notice to Applicants Federal Recapture Requirements HO-0448 (09/99)
- Seller Affidavit HO-0451 (09/99)
- Application for Assistance HO-0573 (10/14)
- Buyer Profile HO-0439 (02/15)
- Underwriting Submission Checklist HO-0549 (08/15)
- Affidavit of Affixation HO-0453 (12/06)
- Legally Enforceable Obligation Letter HO-0476 (10/14)
- Closed Loan Submission Checklist HO-0541 (11/13)
- THDA Rider HO-0440 (08/03)
- Request for Loan Purchase with Acknowledgement and Certification HO-0444 (10/14)
- Disclosure of Loan Terms for Great Choice Plus Second Mortgage Loan HO-0573 (10/14)

### **APPLICATION AFFIDAVIT HO-0450 (03/11)**

#### **VETERAN EXEMPTION APPLICATION AFFIDAVIT HO-0460 (02/07) (If Applicable)**

The Application Affidavit or Veteran Exemption Application Affidavit (if applicable Application Affidavit must be executed by each applicant and non-qualifying spouse. The household income figure to be provided in item #4 is the maximum allowable income for the size of the applicant's household and location of property. The acquisition cost figure for Great Choice is to be provided in item #5 is the maximum THDA acquisition cost for the county in which the property is located. The original Application Affidavit or Veteran Exemption Application Affidavit is required by THDA. All changes or whiteouts must be initialed by the Applicant(s).

Each Application Affidavit or Veteran Exemption Application Affidavit, must be executed and notarized within the State of Tennessee; however, in rare circumstances, an Application Affidavit or Veteran Exemption Application Affidavit may be executed and notarized outside the State of Tennessee, such as when a person is a member of the armed forces, is stationed outside the state and is unable to be present while the application is being processed.

#### **NOTICE TO APPLICANTS FEDERAL RECAPTURE REQUIREMENTS HO-0448 (09/99)**

This form is mandatory for all THDA loan applications. The Applicant and all Co-Applicants must sign and date the form at the time of application. Provide a copy to the Applicant. Enclose the original signed and dated form in the application file when submitted for THDA underwriting.

### **SELLER AFFIDAVIT HO-0451 (09/99)**

The seller of the property must complete a Seller Affidavit for each application file submitted to THDA. The Seller Affidavit is to assist in determining whether the purchase of the property involves more than the purchase price specified in the sales contract.

The seller must sign and date the Seller Affidavit, and it must be notarized. Enclose the original Seller Affidavit in the application file when submitting for THDA underwriting. In the absence of the original Affidavit at the time of loan approval, a prior to closing contingency will be THDA receipt of the original.

### **APPLICATION FOR ASSISTANCE HO-0573 (10/14)**

This form must be completed and the original included in each loan application package submitted under the Great Choice Plus Loan Program. The application should indicate the total FHA loan amount including MIP, the exact (dollars and cents) amount of assistance based on 4% of the referenced loan amount, the anticipated closing date, and the complete name of the settlement agent. This form must be signed by the Borrower(s) and an authorized representative of the lender.

### **BUYER PROFILE HO-0439 (02/15)**

This form is critical to facilitate accurate reports by THDA. Complete this form accurately and completely and enclose it the application file when submitted for THDA underwriting.

### **UNDERWRITING SUBMISSION CHECKLIST HO-0549 (08/15)**

Use this form as a cover sheet for all application files submitted to THDA.

Follow the checklist closely and complete all information. Items omitted may cause the application file to be returned for completion and resubmission. Do not change the size of this form.

The checklist has five main sections:

1. General Information.
2. THDA Program Eligibility. Must include original documents, notarized as indicated.
3. Great Choice Plus Loans/Downpayment/Closing Cost Assistance. Must be documented as indicated, if applicable.
4. Credit Package. Must include documentation, as indicated.

Originating Agent Information: Provide complete information, including the Originating Agent's four-digit O. A. Number as assigned by THDA. An omitted or incorrect Originating Agent number and

Ralph M. Perrey, Executive Director



## ORIGINATING AGENTS GUIDE REVISION 104

September 22, 2015

### **Remove and discard:**

### **Replace with enclosed:**

Page iii (Revised 08/01/15).....	Page ii (Revised 09/22/15)
Page iv (January 2014).....	Page iv (Revised 09/22/15)
Page v (Revised 08/01/15).....	Page v (Revised 09/22/15)
Page 4 (Revised 06/08/15).....	Page 4 (Revised 09/22/15)
Page 24 (Revised 08/01/15).....	Page 24 (Revised 09/22/15)
Page 32 (Revised 08/01/15).....	Page 32 (Revised 09/22/15)
Page 40 (January 2014).....	Page 40 (Revised 09/22/15)
Page 42 (Revised 10/17/14).....	Page 42 (Revised 09/22/15)
Page 45 (January 2014).....	Page 45 (Revised 09/22/15)
Page 46 (Revised 10/17/14).....	Page 46 (Revised 09/22/15)
Page 47 (January 2014).....	Page 47 (Revised 09/22/15)
Page 49 (Revised 08/01/15).....	Page 49 (Revised 09/22/15)
Page 50 (Revised 08/01/15).....	Page 50 (Revised 02/26/15)
Page 51 (Revised 10/01/15).....	Page 51 (Revised 09/22/15)
Page 52 (Revised 10/01/15).....	Page 52 (Revised 09/22/15)

#### Closed Loan Submission Checklist

*Form HO-0541 (11.13)..... Form HO-0541 (09.15)*

#### Underwriting Submission Checklist

*Form HO-0549 (08.15)..... Form HO-0549 (09.15)*

#### Great Choice Plus Application for Assistance

*Form HO-0573 (10.14)..... Form HO-0573 (09.15)*

#### Disclosure of Loan Terms for Great Choice Plus

*Form HO-0574 (10.14)..... Form HO-0574 (09.15)*

## EFFECT OF CHANGE

Effective for Great Choice Plus Mortgage Loan applications dated **October 3, 2015**, THDA will be providing a grant to the borrower in the amount of \$50 to cover a large portion of the recording fees for the second mortgage. The grant will be entered as a credit on the Loan Estimate and Closing Disclosure. All loan applications with an application date of **October 3, 2015** and after will need to include the revised versions of the Great Choice Plus disclosures. This change provides an exemption from the TILA-RESPA Integrated Disclosures.

Also included in this change is the inclusion of the TRID language throughout the guide.



# **Originating Agents Guide**

JANUARY 2014

Latest Revision: 09/22/15

## PART III PROCEDURES

### SECTION 6: SUBMITTING AN APPLICATION FILE TO THDA

### Page

6.1	Overview .....	29
6.2	Required Documents .....	29
	Underwriting Submission Checklist .....	29
	Buyer Profile .....	29
	Application Affidavit .....	29
	Veteran Exemption Application Affidavit .....	29
	Seller Affidavit .....	29
	Application for Assistance .....	29
	Tax Returns .....	29
	Notice to Applicants Federal Recapture Requirements .....	30
	Grants/Downpayment Assistance Approval Letters .....	30
	Transmittal Summary (Conventional and USDA/RD) .....	30
	Insurance/Guaranty Approval .....	30
	Loan Application (1003) .....	31
	Positive Identification .....	31
	Credit Report .....	31
	Final Divorce Decree/Marital Dissolution; Court Ordered Child Support; SSI or Other Assistance .....	31
	Verification of Employment; Most Recent Pay Stub; Form Evidencing Telephone Verification of Prior Employment; Self Employment .....	31
	Documentation for Veteran Exemption .....	31
	Original Certificate of Title or Original Manufactured Certificate of Origin .....	31
	Verification of Deposit or Bank Statements for Previous Two Months .....	31
	Sales Contract .....	32
	FHA Conditional Commitment .....	32
	Appraisal .....	32
	Flood Notification .....	32
	Loan Estimate .....	32
6.3	Documenting New Construction for Custom Built Homes .....	32
	Documentation Required .....	32
	Manufactured Housing .....	32
	Borrower Obtains Construction Loan .....	33
6.4	THDA Underwriting Decisions .....	33
	THDA Underwriting Results .....	33
	Rejections .....	33
	Re-Submissions .....	33
6.5	Commitments .....	33
	Application Approval .....	33
	Commitment Term .....	33
	Commitment Conditions .....	34
	Satisfying THDA Commitment Conditions .....	34
	Update of Application or Commitment .....	34
	Loan Amount or Program Type Changes .....	34
	Commitment Delivery .....	35
	Voided Commitments .....	35

	<u>Page</u>
6.6 Funding THDA Loans.....	36
Funding Method.....	36
6.7 Additional Information.....	36
Scheduling Loan Closings .....	36
Change of Property .....	36

## **SECTION 7      CLOSING A THDA LOAN**

7.1 Overview .....	37
Faxed Notes .....	37
Expedite Loan Documents.....	37
7.2 Loan Commitment .....	37
7.3 Required Loan Documents.....	37
Loan Documents .....	37
Due Dates.....	38
Late Charges .....	38
7.4 Other Required Documentation .....	38
Title Insurance Policy .....	38
Warranty Deed.....	39
Termite Inspection/Treatment Certificate.....	39
Hazard Insurance .....	39
Flood Insurance.....	39
Escrow for Repairs or Completion of Construction.....	40
Closing disclosure.....	40
7.5 Other Requirements .....	40
Close In The Name Of.....	40
Qualifying Spouse.....	41
Rescission .....	41
Net Funds “To Borrower”.....	41
Original Certificate of Title or Original Manufactured Certificate of Origin .....	41
Affidavit of Affixation (Manufactured Home) .....	41
Warranty Deed.....	41
7.6 Closing Costs .....	41
Closing Costs and Fees a THDA Borrower May Pay.....	41
7.7 Use of MERS System.....	42

## **SECTION 8:      SHIPPING A CLOSED THDA LOAN**

8.1 Overview .....	43
Originating Agent Obligations.....	43
Document Caption .....	43
Shipping Address .....	43
8.2 Delivery Deadlines.....	43
8.3 Failure To Meet Delivery Deadlines.....	44



	<b><u>Page</u></b>
8.4 Required Documents For A Complete Closed Loan File.....	44
Closed Loan Submission Checklist .....	44
Request For Loan Purchase with Acknowledgement and Certification .....	44
Commitment .....	45
Original Note .....	45
Deed of Trust .....	45
Affidavit of Affixation.....	45
Assignment .....	45
Title Insurance Policy/Endorsements.....	45
Warranty Deed.....	46
Closing Disclosure .....	46
Hazard Insurance .....	46
Termite Inspection/Treatment Certificate .....	46
Flood Insurance.....	46
Commitment Conditions.....	46
Copy of MIC/LGC; USDA/RD 1980-17, or as Applicable.....	47
Final Loan Application (1003).....	47
8.5 Loan Repurchase.....	47
Repurchase Obligation.....	47
Repurchase Price.....	48
Repurchase Procedure.....	48
8.6 Additional Information.....	48
THDA Reports .....	48

## **PART IV ADDITIONAL INFORMATION**

### **SECTION 9: THDA FORMS AND INSTRUCTIONS**

Application Affidavit (HO-0450).....	49
Veteran Exemption Application Affidavit (HO-0460).....	49
Notice to Applicants Federal Recapture Requirements (HO-0448).....	49
Seller Affidavit (HO-0451).....	50
Application for Assistance (HO-0573) .....	50
Buyer Profile (HO-0439) .....	50
Underwriting Submission Checklist (HO-0549) .....	50
Affidavit of Affixation (HO-0453).....	51
Legally Enforceable Obligation Letter (HO-0476).....	51
Closed Loan Submission Checklist (HO-0541).....	51
THDA Rider (HO-0440).....	51
Request for Loan Purchase with Acknowledgement and Certification (HO-0444) .....	52
Disclosure of Loan Terms for Great Choice Plus Second Mortgage Loan.....	52

**B. Great Choice Plus: Down Payment/Closing Cost Assistance Loan**

This loan offers down payment and closing cost assistance to first-time homebuyers at no interest but secured by a second deed of trust. This loan is available only with the THDA Great Choice first mortgage loan. The Great Choice Plus loan is a 0% interest rate, deferred payment, forgivable second lien. The second mortgage loan is forgiven from year 11 through year 15 at 20% per year.

<b>Eligible Borrower</b>	Homebuyer obtaining THDA Great Choice Loan
<b>Maximum Household Income</b>	THDA Great Choice Program Limits apply
<b>Maximum Loan Amount</b>	Up to 4% of Purchase Price
<b>Interest Rate</b>	0%
<b>Loan Term</b>	15 year deferred, forgivable
<b>Underwriting Criteria</b>	Borrowers must have 640 minimum credit score. Must meet all other THDA Underwriting Guidelines. Manual underwriting allowed per THDA guide.
<b>Pre-Payment</b>	The Great Choice Plus loan is due in full upon 1 <sup>st</sup> mortgage payoff, assumption, or refinance prior to year 11. From year 11 through year 15, the loan is forgiven at 20% per year. No pre-payment penalty. No assumption of Great Choice Plus allowed, with the exception of a VA assumption.
<b>Allowable Fees</b>	Recording fee
<b>Closing Documents</b>	Great Choice Plus Note and Deed of Trust in the name of THDA
<b>Homebuyer Education</b>	Required prior to closing on THDA Great Choice Plus
<b>Servicing</b>	No monthly second mortgage payment is collected.

## **SECTION 5: PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS**

### **5.1 OVERVIEW**

#### **A. Disclosures**

##### **1. Great Choice**

Originating agents are required to provide all disclosures that comply with all federal and state laws and/or regulations. These include, without limitation, signed and dated copies of loan estimate, Tennessee Residential Property Condition Disclosure and transfer of servicing disclosures.

##### **2. Great Choice Plus**

Originating agents will provide all disclosures that comply with all federal and state laws and/or regulations.

#### **B. Underwriting Guidelines, Debt Ratios, Credit Scores, Compensating Factors**

Eligible applicants must meet credit underwriting standards of the relevant insuring program, as evidenced by the approval of a Direct Endorsement underwriter or the insurer, program accepted, underwriting software, i.e. Loan Prospector (LP), Desktop Underwriter (DU). LP or DU acceptance must also be signed by the Originating Agent underwriter or processor verifying the accuracy of information or data required to receive approval.

All loan submissions with a borrower(s) credit score (middle score or lowest score if only two scores) below 640 will not be eligible for THDA funding. THDA will accept loans with the following decision responses which shall meet the following THDA requirements:

1. Approve/Eligible: Maximum debt ratio of 45% and a minimum credit score of 640.
2. Refer/Eligible - due to “no score” only: Loans must be manually underwritten using non-traditional credit guidelines in accordance with FHA guidelines, maximum debt ratio of 45%.
3. Refer/Eligible: Loans must be manually underwritten, maximum debt ratio of 43%, minimum credit score of 640, and must meet two of the three THDA overlays listed below.
  - The borrower must have a verified rental history. Verification of rental (VOR) is acceptable if borrower is renting from a commercial management company; or 12 months canceled checks/bank verification if borrower is renting from a private landlord.
  - One month PITI in reserves. This cannot be a gift.
  - A two year job history with a minimum of 12 months at current employer.
4. Approve/Ineligible: As it refers to the HUD REO \$100.00 down payment program only, maximum debt ratio of 45% and minimum credit score of 640.

All THDA loan application packages will be required to include a copy of the completed FHA Loan Underwriting and Transmittal Summary or Loan Analysis signed by an authorized program endorsed underwriter of the Originating Agent, or correspondent underwriting agent. (See Section 6.2. K)

Any closed loan subsequently determined to be ineligible for program insurance due to non-compliance with that program’s credit underwriting guidelines will be ineligible for THDA funding and subject to repurchase without exception.

#### **C. Homebuyer Education**

Great Choice Plus and Homeownership for the Brave borrowers are required to obtain pre-purchase homebuyer education and counseling provided by a THDA approved Homebuyer Education (HBEI) Provider at one of the approved agencies listed on THDA’s website at [www.thda.org](http://www.thda.org). Each person on the loan is required to obtain homebuyer education. The following formats are available for Homebuyer Education:

#### **T. Sales Contract**

Include a copy of the purchase agreement (fully executed by seller and Applicant) in the application file. Information in the application file. Any changes to the purchase agreement must be initialed by seller and Applicant.

#### **U. FHA Conditional Commitment**

Enclose the HUD Form 92800.5B (FHA Conditional Commitment) and the Appraisal Analysis Sheet, both signed by the DE Underwriter.

#### **V. Appraisal**

Enclose an original Uniform Residential Appraisal Report (FMNA 1004) in the application file. The Uniform Residential Appraisal Report must reflect inspections of both the interior and exterior of the dwelling. If the original Appraisal must be submitted to the loan insurer or guarantor, a legible copy must be enclosed.

If the negotiated sales price for the property was modified after the Appraisal was provided, enclose a letter from the appraiser that indicates any changes in the appraiser's conclusions.

#### **W. Flood Notification**

If the property lies within a Special Flood Hazard Zone, the Originating Agent must make proper and timely disclosure to the Applicant in compliance with federal regulations. Provide a life of loan Flood Hazard certification with the initial underwriting submission package or closed loan documents.

#### **X. Loan Estimate**

The initial Loan Estimate (LE) must be included in the Underwriting Submission Package and any subsequent changes in the LE, if necessary, must be included in the Closed Loan Submission Package. Great Choice Plus mortgage loan applications should reflect a \$50 credit from THDA to the borrower, representing the grant THDA is providing the borrower to cover a large portion of the recording fees for the second mortgage Deed of Trust.

### **6.3 DOCUMENTING NEW CONSTRUCTION FOR CUSTOM BUILT HOMES**

**NOTE:** *This section does not apply to the purchase of a new or proposed residence located on a lot that is not owned by the Applicant prior to the date of the loan closing.*

#### **A. Documentation Required**

1. Copy of Warranty Deed to lot.
2. Copy of construction contract.
3. Contractor's detailed cost estimate, if applicable.
4. Contractor's final itemized bill, if applicable.
5. Final inspection with photos, when complete.

#### **B. Manufactured Housing**

For manufactured housing, additional or substituted documentation must include a contract for the manufactured home and documentation for the cost of foundation, utilities, landscaping, driveways and all other necessary improvements.

To waive the flood insurance requirement, a loan survey is required and must indicate the boundary of Flood Zone A and show that all improvements included in the appraised value are outside of Flood Zone A.

The amount of coverage must equal the total amount of the THDA approved loan up to the maximum amount available through the National Flood Insurance Program.

The maximum allowable deductible amount is \$2,500.

The same mortgagee clause and mailing address previously indicated under “Hazard Insurance” must be used.

A copy of the flood insurance application and a copy of the check for the first year’s premium must be enclosed with the closing package shipped to THDA.

#### **F. Escrow for Repairs or Completion of Construction**

Escrows for repair should be avoided. Submit the proposed escrow agreement to THDA prior to closing. At a minimum, the escrow agreement must state what the escrow is for, the dollar amount to be escrowed, and the completion date which may not exceed 60 days.

Loans should be closed with repair escrows only if the repairs are minor and can be completed quickly. Escrows for completion of construction should only be for minor items, such as final landscaping that is delayed due to seasonal weather.

The amount to be placed in escrow for the completion of repairs or construction must be the greater of (a) 150 percent of the estimated cost of the repairs or the estimated cost to complete construction or (b) the amount required by the applicable loan insurer or guarantor.

All work must be completed and a final inspection delivered to THDA by no later than 60 days after closing.

An escrow agreement acceptable to THDA for repairs or completion of construction must be used. The Originating Agent must hold and disburse the escrow funds in accordance with the Escrow Agreement.

#### **G. Closing Disclosure**

The Closing Disclosure (CD) is required. The principal amount of the second loan should be listed on the CD for the first loan.

### **7.5 OTHER REQUIREMENTS**

#### **A. Close In The Name Of**

All THDA approved Great Choice loans must be closed in the name of the Originating Agent noted on the Commitment and are assigned to THDA. THDA Great Choice Plus loans must be closed in the name of THDA.

2. Origination Fee

A fee up to 2% of the Base Loan Amount is permissible, and is paid to the Originating Agent. The origination fee may not be charged on financed FHA MIP, VA Guaranty Fee, USDA/RD Guaranty Fee or PMI, unless expressly permitted by FHA, VA, USDA/RD or PMI regulations. Either the Borrower or the seller may pay the Origination Fee up to 2%. No additional origination fee may be charged to the Borrower or seller.

A loan originator may designate an origination point on page 2 of the CD.

3. Discount Points

A discount fee of ¼% of the actual or total loan amount is permissible, and is paid to the Origination Agent. Either the Borrower or seller may pay the ¼% discount fee.

4. THDA allows the Originating Agent to charge an Application Fee of up to \$600. If the Originating Agent elects to charge the Application Fee, it must be included on the LE and CD. The total Application Fee cannot exceed \$600.

5. A \$50 grant will be provided to the borrower for the Great Choice Plus program. The credit should be reflected on the Closing Disclosure. THDA will reimburse the lender at the time the loan is purchased.

## **7.7 USE OF MERS SYSTEM**

Originating Agents who are MERS members, in good standing, may use loan documentation showing Mortgage Electronic Registration Systems, Inc., as the nominee for Originating Agent and Originating Agent's successors and assigns for THDA loans closed on or after July 1, 2006. The THDA loan number must be reflected on all THDA loan documentation in addition to the use of the Mortgage Identification Number (MIN) as may be assigned and required by MERS.

Originating Agents shall cause each deed of trust (with THDA Rider) securing a THDA loan to be properly recorded in the Register's Office of the county in which the property is located and to register such deeds of trust with MERS in accordance with applicable MERS requirements. Originating Agent may sell servicing rights to THDA loans registered with MERS only to THDA approved Servicers who are also MERS members in good standing.

Originating Agent shall, upon THDA's request, obtain and properly record an assignment of any MERS registered THDA loan from MERS to THDA or as THDA may direct. In the event of any dispute regarding a THDA loan registered with MERS, Originating Agent shall take all steps deemed necessary by THDA to protect THDA's interest. All other requirements of this Guide and of the Working Agreement between THDA and Originating Agent shall apply to each THDA loan regardless of registration with MERS.

Loans closed by the Purchase Method, if approved by THDA, will be purchased from the Originating Agent by wire transfer. A loan is eligible for purchase when the initial closed loan package, which must include the following documents, has been delivered to THDA.

- Original Note on Great Choice
- Original Note on Great Choice Plus loan, if applicable
- Copy of executed Deeds of Trust
- Title Insurance Commitment
- Copy of executed Warranty Deeds
- Declaration page of Hazard Insurance
- Closing Disclosure
- Copy of Legally Enforceable Obligation Letter, if applicable

**C. Commitment**

Enclose a copy of the Commitment.

**D. Original Note**

Deliver the original Note(s), endorsed to THDA by an authorized Originating Agent staff member, to THDA within 10 days after loan closing. Include the original Note(s) with the closed loan package if THDA will receive the entire closed loan package on or before the 10 Day Deadline.

**E. Deed of Trust**

Enclose the original recorded Deed(s) of Trust and Rider(s), or a copy (before recording) of the fully executed Deed(s) of Trust and Rider(s) which have been certified as a true and exact copy by the Settlement Agent or an authorized Originating Agent staff member.

THDA must receive the original recorded Deed(s) of Trust and Rider(s) on or before the 120 day deadline. Applicant's signature and typed name on the Deed(s) of Trust, Title Insurance Policy and Warranty Deed(s) must match exactly or a name affidavit must be enclosed. The legal description, book, page, time of recording and other critical data must match the Title Insurance Policy and the Warranty Deed(s), as applicable.

**F. Affidavit of Affixation (Manufactured Home)**

Enclose the original, fully executed and recorded Affidavit of Affixation.

**G. Assignment (n/a If MERS documents submitted)**

Enclose the original recorded Assignment, or a copy (before recording) of the fully executed Assignment which has been certified as a true and exact copy by an authorized Originating Agent staff member.

THDA must receive the original recorded Assignment on or before the 120 day deadline. The recorded Assignment must indicate the correct book and page reference for the recorded Deed(s) of Trust and any subsequent re-recordings. The Title Insurance Policy or an endorsement must reflect the recording and any subsequent re-recordings of the Assignment.

**H. Title Insurance Policy/Endorsements**

Enclose the original Title Insurance Policy and all required endorsements. The original Title Insurance Policy must be received by THDA on or before the 120 Day Deadline.

**I. Warranty Deed**

Enclose a copy (before recording) of the fully executed Warranty Deed(s) that convey(s) the property to the Borrower. A copy of the recorded Warranty Deed(s) is/are required if a Manufactured Home.

**J. Closing Disclosure**

The Closed Loan Submission Package must include the Closing Disclosure (CD).

Great Choice Loan Allowable Fees

I. Great Choice Loan:

A loan originator may designate an origination point on page 2 of the CD. THDA allows up to 2% origination points for all Great Choice loans. THDA also allows the Originating Agent to charge a ¼% discount point. If the Originating Agent elects to charge the ¼% discount, it must be included on the CD.

Please note that THDA allows the Originating Agent to charge an Application Fee of up to \$600. If the Originating Agent elects to charge the \$600 Application Fee, it must be included on the CD. The total Application Fee cannot exceed \$600.

II. Great Choice Plus Loan:

THDA only allows customary recording fees. THDA does not require Lender title policy on the Great Choice Plus loan. THDA Great Choice Plus loans are exempt from state stamp taxes.

**K. Hazard Insurance**

THDA must receive a copy of the hazard insurance policy declarations page, or a copy of the Certificate of Insurance, signed by an authorized agent of the insurance company. The original policy or Certificate of Insurance must be sent to the THDA Servicer.

**L. Termite Inspection/Treatment Certificate (when applicable)**

See Section 7.4.C.

**M. Flood Insurance (when applicable)**

See Section 7.4.E.

**N. Commitment Conditions**

Enclose any documents to satisfy, at closing, conditions specified in the Commitment, if not otherwise satisfied with documents listed above.



**O. Copy of MIC/LGC; Original USDA/RD 1980-17, or As Applicable**

1. The MIC must be ordered promptly after closing. THDA must receive a copy of the MIC within 120 days following closing.  
  
Evidence of Originating Agent compliance with HUD's electronic transmission requirements for the Mortgage Record Change must be in the closing package. A copy of the lender query from FHA connection reflecting THDA as the holder.
2. The LGC must be ordered promptly after closing. THDA must receive a copy of the LGC within 120 days following closing.
3. For USDA/RD loans, enclose the original Loan Note Guaranty 1980-17 within 120 days of closing.

Also enclose a copy of RD Form 1980-11, Lender Record Change. The original 1980-11 must be submitted to Rural Development. In the appropriate space, indicate THDA's USDA/RD ID number: 6206001445.

**P. Final Loan Application (1003)**

The final 1003 executed by the borrower(s) must be included in the Closed Loan Submission Package.

**8.5 LOAN REPURCHASE**

**A. Repurchase Obligation**

THDA, in its sole discretion, may refuse to purchase any loan and may require an Originating Agent to repurchase any loan(s) when any of the following exist:

1. Commitment conditions are not satisfied; or
2. The closed loan does not match all elements of the Commitment; or
3. The Originating Agent fails to deliver required documents to the THDA Servicer within the THDA Servicer's deadline; or
4. The loan is refused for servicing by the THDA Servicer; or
5. The Borrower fails to make the first regularly scheduled loan payment to the THDA Servicer ("first payment default"); or
6. The Borrower experiences a first payment default before the MIC, LGC, USDA/RD guarantee or PMI certificate is issued (first payment default is determined by the records of the THDA Servicer indicated on the Commitment); or
7. An entity other than THDA or the Originating Agent is named on the MIC, LGC, USDA/RD guarantee (1980-11, 1980-17 or 1980-18) or PMI Certificate;
8. The Originating Agent fails to deliver closed loan documentation to THDA within specified deadlines; or
9. The loan cannot be insured or guaranteed within 150 days of loan closing or the THDA closing file is incomplete on the 151<sup>st</sup> day following loan closing; or
10. Any material fact discovered subsequent to the closing causes the loan to be ineligible for THDA financing.

## **SECTION 9: THDA FORMS AND INSTRUCTIONS**

As a result of Tax Code requirements, THDA must require certain forms. Application files or closed loan packages that do not contain fully executed THDA forms, as required, will not be accepted by THDA. These forms must be included in THDA application files and in THDA closed loan packages as indicated in this Guide. THDA forms are in addition to the typical forms utilized in the mortgage industry. These forms are to be considered part of this Guide.

THDA forms may not be altered.

THDA forms may not be distributed to a lender who is not an Originating Agent or to any other unauthorized individual or entity.

Detailed instructions for completion of each THDA form follows in the order that they are typically encountered in the lending process:

- Application Affidavit HO-0450 (03/11)
- Veteran Exemption Application Affidavit HO-0460 (02/07)
- Notice to Applicants Federal Recapture Requirements HO-0448 (09/99)
- Seller Affidavit HO-0451 (09/99)
- Application for Assistance HO-0573 (09/15)
- Buyer Profile HO-0439 (02/15)
- Underwriting Submission Checklist HO-0549 (09/15)
- Affidavit of Affixation HO-0453 (12/06)
- Legally Enforceable Obligation Letter HO-0476 (10/14)
- Closed Loan Submission Checklist HO-0541 (09/15)
- THDA Rider HO-0440 (08/03)
- Request for Loan Purchase with Acknowledgement and Certification HO-0444 (10/14)
- Disclosure of Loan Terms for Great Choice Plus Second Mortgage Loan HO-0574 (09/15)

### **APPLICATION AFFIDAVIT HO-0450 (03/11)**

#### **VETERAN EXEMPTION APPLICATION AFFIDAVIT HO-0460 (02/07) (If Applicable)**

The Application Affidavit or Veteran Exemption Application Affidavit (if applicable Application Affidavit must be executed by each applicant and non-qualifying spouse. The household income figure to be provided in item #4 is the maximum allowable income for the size of the applicant's household and location of property. The acquisition cost figure for Great Choice is to be provided in item #5 is the maximum THDA acquisition cost for the county in which the property is located. The original Application Affidavit or Veteran Exemption Application Affidavit is required by THDA. All changes or whiteouts must be initialed by the Applicant(s).

Each Application Affidavit or Veteran Exemption Application Affidavit, must be executed and notarized within the State of Tennessee; however, in rare circumstances, an Application Affidavit or Veteran Exemption Application Affidavit may be executed and notarized outside the State of Tennessee, such as when a person is a member of the armed forces, is stationed outside the state and is unable to be present while the application is being processed.

#### **NOTICE TO APPLICANTS FEDERAL RECAPTURE REQUIREMENTS HO-0448 (09/99)**

This form is mandatory for all THDA loan applications. The Applicant and all Co-Applicants must sign and date the form at the time of application. Provide a copy to the Applicant. Enclose the original signed and dated form in the application file when submitted for THDA underwriting.

### **SELLER AFFIDAVIT HO-0451 (09/99)**

The seller of the property must complete a Seller Affidavit for each application file submitted to THDA. The Seller Affidavit is to assist in determining whether the purchase of the property involves more than the purchase price specified in the sales contract.

The seller must sign and date the Seller Affidavit, and it must be notarized. Enclose the original Seller Affidavit in the application file when submitting for THDA underwriting. In the absence of the original Affidavit at the time of loan approval, a prior to closing contingency will be THDA receipt of the original.

### **APPLICATION FOR ASSISTANCE HO-0573 (09/15)**

This form must be completed and the original included in each loan application package submitted under the Great Choice Plus Loan Program. The application should indicate the total FHA loan amount including MIP, the exact (dollars and cents) amount of assistance based on 4% of the referenced loan amount, the anticipated closing date, and the complete name of the settlement agent. This form must be signed by the Borrower(s) and an authorized representative of the lender.

### **BUYER PROFILE HO-0439 (02/15)**

This form is critical to facilitate accurate reports by THDA. Complete this form accurately and completely and enclose it with the application file when submitted for THDA underwriting.

### **UNDERWRITING SUBMISSION CHECKLIST HO-0549 (09/15)**

Use this form as a cover sheet for all application files submitted to THDA.

Follow the checklist closely and complete all information. Items omitted may cause the application file to be returned for completion and resubmission. Do not change the size of this form.

The checklist has five main sections:

1. General Information.
2. THDA Program Eligibility. Must include original documents, notarized as indicated.
3. Great Choice Plus Loans/Downpayment/Closing Cost Assistance. Must be documented as indicated, if applicable.
4. Credit Package. Must include documentation, as indicated.

Originating Agent Information: Provide complete information, including the Originating Agent's four-digit O. A. Number as assigned by THDA. An omitted or incorrect Originating Agent number and

omitted or incorrect branch address are the primary causes of misdirected commitments and misdirected funding checks.

Primary Applicant: Include primary Applicant's name as it will appear on all documents. It must be accurate and consistent.

Property Address: Must be accurate and consistent on all documents.

Submission Purpose: As indicated, this form may be used for purposes in addition to the initial submission of an application file.

Program Type: Indicate the desired THDA loan program.

Loan Type: Indicate whether the loan type is FHA, VA, Conventional or USDA/RD.

Property Type: Indicate the correct property type. Check the appropriate block to indicate a residence that is a single family detached or a condominium. Check "Other" and indicate in the blank provided if the residence is a 2, 3 or 4 family home, or is a PUD, townhouse, zero lot line, modular or manufactured home.

#### THDA Program Eligibility/Credit Package

A check mark, an "X" or "N/A" must be indicated for each document listed on the form. Refer to Section 6.2 for additional information.

An Originating Agent staff member's signature, printed or typed name and telephone number must appear at the bottom of the checklist. Without this information, the file is considered incomplete. In addition, if this information is omitted, THDA does not know who to call if questions arise.

### **AFFIDAVIT OF AFFIXATION HO-0453 (12/06)**

An original Affidavit of Affixation is required on all manufactured home loans and must be recorded as a separate document. It cannot be recorded with or attached to the Deed of Trust for recordation.

### **LEGALLY ENFORCEABLE OBLIGATION LETTER HO-0476 (10/14)**

For any Great Choice loans insured by FHA/HUD the Originating Agent will receive a Legally Enforceable Obligation Letter (LEOL) attached to the THDA Loan Commitment. HUD/FHA requires that THDA provide a Legally Enforceable Obligation Letter when THDA has agreed to provide DPA funds in the form of the Great Choice Plus loan. The Borrower(s) is to sign the LEOL at closing and a copy of the executed LEOL must be sent back to THDA with the initial closing submission package in order for THDA to purchase the Great choice Plus loan.

The Originating Agent is to retain the original LEOL in their loan file to accompany the FHA insurance application associated with the first mortgage.

### **CLOSED LOAN SUBMISSION CHECKLIST HO-0541 (09/15)**

Use this form when submitting all closed loan files to THDA, regardless of the source of funding. This form can also be used as a checklist for submission of follow-up documentation. Complete all items on this form. Do not change the size of this form.

### **THDA RIDER HO-0440 (08/03)**

The THDA Rider must be completed, executed, attached to and recorded with the deed of trust for all THDA first mortgage loans, regardless of loan type. The THDA Rider must be signed by all Borrowers who are required to sign the first deed of trust and recorded with the deed of trust.

**REQUEST FOR LOAN PURCHASE WITH ACKNOWLEDGEMENT AND CERTIFICATION  
HO-0444 (10/14)**

All loans closed by the Purchase Method must be accompanied by an executed Request For Loan Purchase with Acknowledgement and Certification when delivered to THDA. By submitting a loan file for purchase by THDA, each Originating Agent is deemed to affirm the Acknowledgement and Certification appearing on the master form of the Request For Loan Purchase with Acknowledgement and Certification with respect to each loan file submitted regardless of whether the Acknowledgement and Certification is included with the form submitted with a particular loan file.

*Provide all information indicated. Check the appropriate box indicating whether the loan file is complete in all respects or not. Sign and date where indicated, print name and title, and provide telephone number. Omitted information may cause the loan file to be returned to the Originating Agent.*

**DISCLOSURE OF LOAN TERMS FOR GREAT CHOICE PLUS SECOND MORTGAGE LOAN  
HO-0574 (09/15)**

This disclosure is required to be presented to the Borrower by the Originating Agent before settlement. This disclosure meets the exemption requirements under Secretary of HUD's special notice "Exemptions from Coverage Under Sections 4 and 5 of RESPA for Certain Subordinate Loans Provided by Assistance Programs for Low to Moderate Income People" dated October, 2010. This disclosure is required if a LE/CD is not provided on the subordinate second mortgage loan.

REMAINDER OF THIS PAGE LEFT BLANK INTENT

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 105**

October 05, 2015

**Remove and discard:**

**Replace with enclosed:**

Page iii (Revised 09/22/15).....	Page iii (Revised 10/05/15)
Page 24 (Revised 09/22/15).....	Page 24 (Revised 10/05/15)
Page 32 (Revised 09/22/15).....	Page 32 (Revised 10/05/15)
Page 42 (Revised 09/22/15).....	Page 42 (Revised 10/05/15)
Page 46 (Revised 09/22/15).....	Page 46 (Revised 10/05/15)
Page 49 (Revised 09/22/15).....	Page 49 (Revised 10/05/15)
Page 50 (Revised 09/22/15).....	Page 50 (Revised 10/05/15)
Page 51 (Revised 09/22/15).....	Page 51 (Revised 10/05/15)
Page 52 (Revised 09/22/15).....	Page 52 (Revised 10/05/15)

Closed Loan Submission Checklist

*Form HO-0541 (09.15)..... Form HO-0541 (10.15)*

Underwriting Submission Checklist

*Form HO-0549 (09.15)..... Form HO-0549 (10.15)*

Disclosure of Loan Terms for Great Choice Plus

*Form HO-0574 (09.15)..... Form HO-0574 (10.15)*

**EFFECT OF CHANGE**

As clarification to Revision 104, effective for Great Choice Plus Mortgage Loan applications dated **October 3, 2015**, THDA will be providing a grant to the borrower in the amount of \$50 to cover a portion of the recording fees for the second mortgage. The grant will be entered as a credit on the Good Faith Estimate and HUD-1. The recording fee is the only fee to be charged. All loan applications with an application date of **October 3, 2015** and after will need to include the revised versions of the Great Choice Plus disclosures. This change provides an exemption from the TILA-RESPA Integrated Disclosures, there is not an exemption from RESPA.



# **Originating Agents Guide**

JANUARY 2014

Latest Revision: 10/05/15

## PART III PROCEDURES

### SECTION 6: SUBMITTING AN APPLICATION FILE TO THDA

	<u>Page</u>
6.1 Overview .....	29
6.2 Required Documents .....	29
Underwriting Submission Checklist .....	29
Buyer Profile .....	29
Application Affidavit .....	29
Veteran Exemption Application Affidavit .....	29
Seller Affidavit .....	29
Application for Assistance .....	29
Tax Returns .....	29
Notice to Applicants Federal Recapture Requirements .....	30
Grants/Downpayment Assistance Approval Letters .....	30
Transmittal Summary (Conventional and USDA/RD) .....	30
Insurance/Guaranty Approval .....	30
Loan Application (1003) .....	31
Positive Identification .....	31
Credit Report .....	31
Final Divorce Decree/Marital Dissolution; Court Ordered Child Support; SSI or Other Assistance .....	31
Verification of Employment; Most Recent Pay Stub; Form Evidencing Telephone Verification of Prior Employment; Self Employment .....	31
Documentation for Veteran Exemption .....	31
Original Certificate of Title or Original Manufactured Certificate of Origin .....	31
Verification of Deposit or Bank Statements for Previous Two Months .....	31
Sales Contract .....	32
FHA Conditional Commitment .....	32
Appraisal .....	32
Flood Notification .....	32
Loan Estimate .....	32
Good Faith Estimate .....	32
6.3 Documenting New Construction for Custom Built Homes .....	32
Documentation Required .....	32
Manufactured Housing .....	32
Borrower Obtains Construction Loan .....	33
6.4 THDA Underwriting Decisions .....	33
THDA Underwriting Results .....	33
Rejections .....	33
Re-Submissions .....	33
6.5 Commitments .....	33
Application Approval .....	33
Commitment Term .....	33
Commitment Conditions .....	34
Satisfying THDA Commitment Conditions .....	34
Update of Application or Commitment .....	34
Loan Amount or Program Type Changes .....	34
Commitment Delivery .....	35
Voided Commitments .....	35



## **SECTION 5: PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS**

### **5.1 OVERVIEW**

#### **A. Disclosures**

##### **1. Great Choice**

Originating agents are required to provide all disclosures that comply with all federal and state laws and/or regulations. These include, without limitation, signed and dated copies of loan estimate, Tennessee Residential Property Condition Disclosure and transfer of servicing disclosures.

##### **2. Great Choice Plus**

Originating agents will provide all disclosures that comply with all federal and state laws and/or regulations. These include GFE and Disclosure of Loan Terms.

#### **B. Underwriting Guidelines, Debt Ratios, Credit Scores, Compensating Factors**

Eligible applicants must meet credit underwriting standards of the relevant insuring program, as evidenced by the approval of a Direct Endorsement underwriter or the insurer, program accepted, underwriting software, i.e. Loan Prospector (LP), Desktop Underwriter (DU). LP or DU acceptance must also be signed by the Originating Agent underwriter or processor verifying the accuracy of information or data required to receive approval.

All loan submissions with a borrower(s) credit score (middle score or lowest score if only two scores) below 640 will not be eligible for THDA funding. THDA will accept loans with the following decision responses which shall meet the following THDA requirements:

1. Approve/Eligible: Maximum debt ratio of 45% and a minimum credit score of 640.
2. Refer/Eligible - due to "no score" only: Loans must be manually underwritten using non-traditional credit guidelines in accordance with FHA guidelines, maximum debt ratio of 45%.
3. Refer/Eligible: Loans must be manually underwritten, maximum debt ratio of 43%, minimum credit score of 640, and must meet two of the three THDA overlays listed below.
  - The borrower must have a verified rental history. Verification of rental (VOR) is acceptable if borrower is renting from a commercial management company; or 12 months canceled checks/bank verification if borrower is renting from a private landlord.
  - One month PITI in reserves. This cannot be a gift.
  - A two year job history with a minimum of 12 months at current employer.
4. Approve/Ineligible: As it refers to the HUD REO \$100.00 down payment program only, maximum debt ratio of 45% and minimum credit score of 640.

All THDA loan application packages will be required to include a copy of the completed FHA Loan Underwriting and Transmittal Summary or Loan Analysis signed by an authorized program endorsed underwriter of the Originating Agent, or correspondent underwriting agent. (See Section 6.2. K)

Any closed loan subsequently determined to be ineligible for program insurance due to non-compliance with that program's credit underwriting guidelines will be ineligible for THDA funding and subject to repurchase without exception.

#### **C. Homebuyer Education**

Great Choice Plus and Homeownership for the Brave borrowers are required to obtain pre-purchase homebuyer education and counseling provided by a THDA approved Homebuyer Education (HBEI) Provider at one of the approved agencies listed on THDA's website at [www.thda.org](http://www.thda.org). Each person on the loan is required to obtain homebuyer education. The following formats are available for Homebuyer Education:

**T. Sales Contract**

Include a copy of the purchase agreement (fully executed by seller and Applicant) in the application file. Information in the application file. Any changes to the purchase agreement must be initialed by seller and Applicant.

**U. FHA Conditional Commitment**

Enclose the HUD Form 92800.5B (FHA Conditional Commitment) and the Appraisal Analysis Sheet, both signed by the DE Underwriter.

**V. Appraisal**

Enclose an original Uniform Residential Appraisal Report (FMNA 1004) in the application file. The Uniform Residential Appraisal Report must reflect inspections of both the interior and exterior of the dwelling. If the original Appraisal must be submitted to the loan insurer or guarantor, a legible copy must be enclosed.

If the negotiated sales price for the property was modified after the Appraisal was provided, enclose a letter from the appraiser that indicates any changes in the appraiser's conclusions.

**W. Flood Notification**

If the property lies within a Special Flood Hazard Zone, the Originating Agent must make proper and timely disclosure to the Applicant in compliance with federal regulations. Provide a life of loan Flood Hazard certification with the initial underwriting submission package or closed loan documents.

**X. Loan Estimate**

The initial Loan Estimate (LE) must be included in the Underwriting Submission Package and any subsequent changes in the LE, if necessary, must be included in the Closed Loan Submission Package. Great Choice Plus mortgage loan applications should reflect a \$50 credit from THDA to the borrower, representing the grant THDA is providing the borrower to cover a large portion of the recording fees for the second mortgage loan Deed of Trust.

**Y. Good Faith Estimate**

A Good Faith Estimate (GFE) must be provided for the Great Choice Plus mortgage loan. Recording fees are the only allowable fees.

**6.3 DOCUMENTING NEW CONSTRUCTION FOR CUSTOM BUILT HOMES**

**NOTE:** *This section does not apply to the purchase of a new or proposed residence located on a lot that is not owned by the Applicant prior to the date of the loan closing.*

**A. Documentation Required**

1. Copy of Warranty Deed to lot.
2. Copy of construction contract.
3. Contractor's detailed cost estimate, if applicable.
4. Contractor's final itemized bill, if applicable.
5. Final inspection with photos, when complete.

**B. Manufactured Housing**

For manufactured housing, additional or substituted documentation must include a contract for the manufactured home and documentation for the cost of foundation, utilities, landscaping, driveways and all other necessary improvements.

2. Origination Fee

A fee up to 2% of the Base Loan Amount is permissible, and is paid to the Originating Agent. The origination fee may not be charged on financed FHA MIP, VA Guaranty Fee, USDA/RD Guaranty Fee or PMI, unless expressly permitted by FHA, VA, USDA/RD or PMI regulations. Either the Borrower or the seller may pay the Origination Fee up to 2%. No additional origination fee may be charged to the Borrower or seller.

A loan originator may designate an origination point on page 2 of the CD.

3. Discount Points

A discount fee of ¼% of the actual or total loan amount is permissible, and is paid to the Origination Agent. Either the Borrower or seller may pay the ¼% discount fee.

4. THDA allows the Originating Agent to charge an Application Fee of up to \$600. If the Originating Agent elects to charge the Application Fee, it must be included on the LE and CD. The total Application Fee cannot exceed \$600.

5. A \$50 grant will be provided to the borrower for the Great Choice Plus program. The credit should be reflected on the GFE. THDA will reimburse the lender at the time the loan is purchased.

## **7.7 USE OF MERS SYSTEM**

Originating Agents who are MERS members, in good standing, may use loan documentation showing Mortgage Electronic Registration Systems, Inc., as the nominee for Originating Agent and Originating Agent's successors and assigns for THDA loans closed on or after July 1, 2006. The THDA loan number must be reflected on all THDA loan documentation in addition to the use of the Mortgage Identification Number (MIN) as may be assigned and required by MERS.

Originating Agents shall cause each deed of trust (with THDA Rider) securing a THDA loan to be properly recorded in the Register's Office of the county in which the property is located and to register such deeds of trust with MERS in accordance with applicable MERS requirements. Originating Agent may sell servicing rights to THDA loans registered with MERS only to THDA approved Servicers who are also MERS members in good standing.

Originating Agent shall, upon THDA's request, obtain and properly record an assignment of any MERS registered THDA loan from MERS to THDA or as THDA may direct. In the event of any dispute regarding a THDA loan registered with MERS, Originating Agent shall take all steps deemed necessary by THDA to protect THDA's interest. All other requirements of this Guide and of the Working Agreement between THDA and Originating Agent shall apply to each THDA loan regardless of registration with MERS.

**I. Warranty Deed**

Enclose a copy (before recording) of the fully executed Warranty Deed(s) that convey(s) the property to the Borrower. A copy of the recorded Warranty Deed(s) is/are required if a Manufactured Home.

**J. Closing Disclosure**

The Closed Loan Submission Package must include the Closing Disclosure (CD).

Great Choice Loan Allowable Fees

I. Great Choice Loan:

A loan originator may designate an origination point on page 2 of the CD. THDA allows up to 2% origination points for all Great Choice loans. THDA also allows the Originating Agent to charge a ¼% discount point. If the Originating Agent elects to charge the ¼% discount, it must be included on the CD.

Please note that THDA allows the Originating Agent to charge an Application Fee of up to \$600. If the Originating Agent elects to charge the \$600 Application Fee, it must be included on the CD. The total Application Fee cannot exceed \$600.

II. Great Choice Plus Loan:

THDA only allows customary recording fees. THDA does not allow Lender title policy on the Great Choice Plus loan. THDA Great Choice Plus loans are exempt from state stamp taxes. HUD-1 will be used to disclose recording fee and \$50 grant from THDA.

**K. Hazard Insurance**

THDA must receive a copy of the hazard insurance policy declarations page, or a copy of the Certificate of Insurance, signed by an authorized agent of the insurance company. The original policy or Certificate of Insurance must be sent to the THDA Servicer.

**L. Termite Inspection/Treatment Certificate (when applicable)**

See Section 7.4.C.

**M. Flood Insurance (when applicable)**

See Section 7.4.E.

**N. Commitment Conditions**

Enclose any documents to satisfy, at closing, conditions specified in the Commitment, if not otherwise satisfied with documents listed above.

## **SECTION 9: THDA FORMS AND INSTRUCTIONS**

As a result of Tax Code requirements, THDA must require certain forms. Application files or closed loan packages that do not contain fully executed THDA forms, as required, will not be accepted by THDA. These forms must be included in THDA application files and in THDA closed loan packages as indicated in this Guide. THDA forms are in addition to the typical forms utilized in the mortgage industry. These forms are to be considered part of this Guide.

THDA forms may not be altered.

THDA forms may not be distributed to a lender who is not an Originating Agent or to any other unauthorized individual or entity.

Detailed instructions for completion of each THDA form follows in the order that they are typically encountered in the lending process:

- Application Affidavit HO-0450 (03/11)
- Veteran Exemption Application Affidavit HO-0460 (02/07)
- Notice to Applicants Federal Recapture Requirements HO-0448 (09/99)
- Seller Affidavit HO-0451 (09/99)
- Application for Assistance HO-0573 (09/15)
- Buyer Profile HO-0439 (02/15)
- Underwriting Submission Checklist HO-0549 (10/15)
- Affidavit of Affixation HO-0453 (12/06)
- Legally Enforceable Obligation Letter HO-0476 (10/14)
- Closed Loan Submission Checklist HO-0541 (10/15)
- THDA Rider HO-0440 (08/03)
- Request for Loan Purchase with Acknowledgement and Certification HO-0444 (10/14)
- Disclosure of Loan Terms for Great Choice Plus Second Mortgage Loan HO-0574 (10/15)

### **APPLICATION AFFIDAVIT HO-0450 (03/11)**

#### **VETERAN EXEMPTION APPLICATION AFFIDAVIT HO-0460 (02/07) (If Applicable)**

The Application Affidavit or Veteran Exemption Application Affidavit (if applicable Application Affidavit must be executed by each applicant and non-qualifying spouse. The household income figure to be provided in item #4 is the maximum allowable income for the size of the applicant's household and location of property. The acquisition cost figure for Great Choice is to be provided in item #5 is the maximum THDA acquisition cost for the county in which the property is located. The original Application Affidavit or Veteran Exemption Application Affidavit is required by THDA. All changes or whiteouts must be initialed by the Applicant(s).

Each Application Affidavit or Veteran Exemption Application Affidavit, must be executed and notarized within the State of Tennessee; however, in rare circumstances, an Application Affidavit or Veteran Exemption Application Affidavit may be executed and notarized outside the State of Tennessee, such as when a person is a member of the armed forces, is stationed outside the state and is unable to be present while the application is being processed.

#### **NOTICE TO APPLICANTS FEDERAL RECAPTURE REQUIREMENTS HO-0448 (09/99)**

This form is mandatory for all THDA loan applications. The Applicant and all Co-Applicants must sign and date the form at the time of application. Provide a copy to the Applicant. Enclose the original signed and dated form in the application file when submitted for THDA underwriting.

### **SELLER AFFIDAVIT HO-0451 (09/99)**

The seller of the property must complete a Seller Affidavit for each application file submitted to THDA. The Seller Affidavit is to assist in determining whether the purchase of the property involves more than the purchase price specified in the sales contract.

The seller must sign and date the Seller Affidavit, and it must be notarized. Enclose the original Seller Affidavit in the application file when submitting for THDA underwriting. In the absence of the original Affidavit at the time of loan approval, a prior to closing contingency will be THDA receipt of the original.

### **APPLICATION FOR ASSISTANCE HO-0573 (09/15)**

This form must be completed and the original included in each loan application package submitted under the Great Choice Plus Loan Program. The application should indicate the total FHA loan amount including MIP, the exact (dollars and cents) amount of assistance based on 4% of the sales price, the anticipated closing date, and the complete name of the settlement agent. This form must be signed by the Borrower(s) and an authorized representative of the lender.

### **BUYER PROFILE HO-0439 (02/15)**

This form is critical to facilitate accurate reports by THDA. Complete this form accurately and completely and enclose it with the application file when submitted for THDA underwriting.

### **UNDERWRITING SUBMISSION CHECKLIST HO-0549 (10/15)**

Use this form as a cover sheet for all application files submitted to THDA.

Follow the checklist closely and complete all information. Items omitted may cause the application file to be returned for completion and resubmission. Do not change the size of this form.

The checklist has five main sections:

1. General Information.
2. THDA Program Eligibility. Must include original documents, notarized as indicated.
3. Great Choice Plus Loans/Downpayment/Closing Cost Assistance. Must be documented as indicated, if applicable.
4. Credit Package. Must include documentation, as indicated.

Originating Agent Information: Provide complete information, including the Originating Agent's four-digit O. A. Number as assigned by THDA. An omitted or incorrect Originating Agent number and

omitted or incorrect branch address are the primary causes of misdirected commitments and misdirected funding checks.

Primary Applicant: Include primary Applicant's name as it will appear on all documents. It must be accurate and consistent.

Property Address: Must be accurate and consistent on all documents.

Submission Purpose: As indicated, this form may be used for purposes in addition to the initial submission of an application file.

Program Type: Indicate the desired THDA loan program.

Loan Type: Indicate whether the loan type is FHA, VA, Conventional or USDA/RD.

Property Type: Indicate the correct property type. Check the appropriate block to indicate a residence that is a single family detached or a condominium. Check "Other" and indicate in the blank provided if the residence is a 2, 3 or 4 family home, or is a PUD, townhouse, zero lot line, modular or manufactured home.

#### THDA Program Eligibility/Credit Package

A check mark, an "X" or "N/A" must be indicated for each document listed on the form. Refer to Section 6.2 for additional information.

An Originating Agent staff member's signature, printed or typed name and telephone number must appear at the bottom of the checklist. Without this information, the file is considered incomplete. In addition, if this information is omitted, THDA does not know who to call if questions arise.

### **AFFIDAVIT OF AFFIXATION HO-0453 (12/06)**

An original Affidavit of Affixation is required on all manufactured home loans and must be recorded as a separate document. It cannot be recorded with or attached to the Deed of Trust for recordation.

### **LEGALLY ENFORCEABLE OBLIGATION LETTER HO-0476 (10/14)**

For any Great Choice loans insured by FHA/HUD the Originating Agent will receive a Legally Enforceable Obligation Letter (LEOL) attached to the THDA Loan Commitment. HUD/FHA requires that THDA provide a Legally Enforceable Obligation Letter when THDA has agreed to provide DPA funds in the form of the Great Choice Plus loan. The Borrower(s) is to sign the LEOL at closing and a copy of the executed LEOL must be sent back to THDA with the initial closing submission package in order for THDA to purchase the Great choice Plus loan.

The Originating Agent is to retain the original LEOL in their loan file to accompany the FHA insurance application associated with the first mortgage.

### **CLOSED LOAN SUBMISSION CHECKLIST HO-0541 (10/15)**

Use this form when submitting all closed loan files to THDA, regardless of the source of funding. This form can also be used as a checklist for submission of follow-up documentation. Complete all items on this form. Do not change the size of this form.

### **THDA RIDER HO-0440 (08/03)**

The THDA Rider must be completed, executed, attached to and recorded with the deed of trust for all THDA first mortgage loans, regardless of loan type. The THDA Rider must be signed by all Borrowers who are required to sign the first deed of trust and recorded with the deed of trust.

## **REQUEST FOR LOAN PURCHASE WITH ACKNOWLEDGEMENT AND CERTIFICATION HO-0444 (10/14)**

All loans closed by the Purchase Method must be accompanied by an executed Request For Loan Purchase with Acknowledgement and Certification when delivered to THDA. By submitting a loan file for purchase by THDA, each Originating Agent is deemed to affirm the Acknowledgement and Certification appearing on the master form of the Request For Loan Purchase with Acknowledgement and Certification with respect to each loan file submitted regardless of whether the Acknowledgement and Certification is included with the form submitted with a particular loan file.

*Provide all information indicated. Check the appropriate box indicating whether the loan file is complete in all respects or not. Sign and date where indicated, print name and title, and provide telephone number. Omitted information may cause the loan file to be returned to the Originating Agent.*

## **DISCLOSURE OF LOAN TERMS FOR GREAT CHOICE PLUS SECOND MORTGAGE LOAN HO-0574 (10/15)**

This disclosure is required to be presented to the Borrower by the Originating Agent before settlement. This disclosure meets the exemption requirements under Secretary of HUD's special notice "Exemptions from Coverage Under Sections 4 and 5 of RESPA for Certain Subordinate Loans Provided by Assistance Programs for Low to Moderate Income People" dated October, 2010. This disclosure is required if a LE/CD is not provided on the subordinate second mortgage loan.

REMAINDER OF THIS PAGE LEFT BLANK INTENT



Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 106**

December 1, 2015

**Remove and discard:**

**Replace with enclosed:**

Page 27 (January 2014)..... Page 27 (Revised 12/01/15)

**EFFECT OF CHANGE**

Effective immediately THDA applications must provide their most recent bank statement for each account when VOD is provided.



# **Originating Agents Guide**

JANUARY 2014

Latest Revision: 12/01/15

VOE form, answers to all questions contained on the standard VOE must be provided by the employer on employer letterhead. Verifications must indicate bonuses, next pay increase, overtime and scheduled number of work hours if paid by the hour. In addition, a copy of each Applicant's most recent pay stub is required (no more than 30 days old). This income verification and documentation is also required for a non-qualifying spouse and any other occupant of the property 18 years of age or older.

**B. Sole-Proprietorship Verifications**

Year-to-date P&L, Plus 1040's with Schedule C for a minimum of two tax years, and 24 months in business.

**C. Partnership Verifications**

Year-to-date P&L, Plus 1065's with Schedule K-1 and Schedule E, part II; Partnership returns with all schedules. Minimum two tax returns and 24 months in business.

**D. Limited Partnership Verifications**

1065, Schedule K-1 and Schedule E, part II; Partnership Return with schedules. Minimum two tax returns and 24 months in business.

**E. Subchapter S Corporation Verifications**

1120/1120S, Schedule K-1, Schedule E, part II, W-2 for Applicant. Minimum two tax returns and 24 months in business.

**F. Corporation Verifications**

Provide if Applicant owns or controls 25% or more of the stock. Corporation Return, Form 1120 and Schedule L (if applicable); W-2 for Applicant. Minimum two tax returns and 24 months in business.

**G. Deposit Verifications**

Verification of Deposit (VOD) and Borrower's most recent statement for each account or alternative documentation, Borrower's bank statements for the previous two months for each account.

**H. Veteran Status**

Veterans applying for the exemption to the three year requirement must provide a copy of VA Form DD-214 or VA Form DD-4 (Enlistment/Re-enlistment Document).

**I. FHA 203(h) Proof of Permanent Residence**

The victim/borrower's previous permanent rental residence must have been in the disaster area and must have been destroyed or damaged to such an extent that reconstruction or replacement is necessary. The victim/borrower must provide conclusive proof of permanent residence with one of the following:

- Valid driver's license
- Voter registration card
- Utility bills

**J. FHA 203(h) Proof of Destruction of Residence**

The victim/borrower's previous permanent rental residence must have been in the disaster area and must have been destroyed or damaged to such an extent that reconstruction or replacement is necessary. The victim/borrower must provide proof of destruction with one of the following:

- An insurance report
- An inspection report by an independent fee inspector or government agency (FEMA)
- Conclusive photographic evidence showing the destruction or damage

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 107**

December 17, 2015

**Remove and discard:**

Second Promissory Note  
Form 0503 (Rev 04/2015).....

**Replace with enclosed:**

Second Promissory Note  
Form 0503 (Rev 12/2015)

**EFFECT OF CHANGE**

Effective immediately the revised Great Choice Plus Loan Program Second Promissory Note, Form 0503, has been updated and should be included for all closings.