

THDA LENDER NOTICE: #2021-16

September 7, 2021

SUBJECT: Implementation of IRS Rev. Ruling 86-124

Effective with loan submissions as of Monday September 13, 2021, THDA is implementing IRS Rev. Ruling 86-124 for income calculation for all Mortgage Revenue Bond (MRB) programs. This will affect all Great Choice Mortgage Loans.

This ruling states the income to be taken into account in determining the gross monthly income is the income of the mortgagor (or mortgagors) and any other person who is expected both to live in the residence being financed and to be secondarily liable on the mortgage.

This change, along with other enhancements to the program listed below, is the result of continued work toward standardization among multiple Housing Finance Agencies and the MBA.

Additional changes that will go into effect with loan submissions as of Monday, September 13, 2021 are:

- Income limits will be referred to as MRB Income Limits instead of Household Income Limits.
- Overtime/bonus will be determined based upon history of receiving and reasonable expectation for the income to continue
- Application and Seller Affidavits are changing to Application and Seller Declarations. These new forms no longer require a notary signature.
- Child Support will be considered in the MRB income limit if it is anticipated income for the next 12 months based upon recent history of receipt.
- Fiancé(e) income will be considered only if they are on the mortgage note.
- Tax liens must be paid in full, however, Federal tax debt with established payment plans that meets insurer guidelines are acceptable.
- Only recurring deposits or large deposits as outlined by the insurer or AUS must be documented.
- As previously mentioned, THDA will also be changing DPA structure as of rate locks submitted on September 13, 2021; additional information regarding this change can be located in lender notice #2021-15.
- THDA will no longer require a non-purchasing spouse to sign the Deed of Trust.

THDA will be conducting several trainings over the next few weeks to review the above changes. Please reach out to your Customer Account Manager or email SFask@thda.org if you are interested in training.

Questions may be directed to sfask@thda.org or 615-815-2100.