

# Tennessee Housing Development Agency

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## Originating Agents Guide

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**January 2021**

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#### **TIPS FOR NAVIGATING ELECTRONIC VERSION OF THE THDA GUIDE:**

To search for topics or keywords, click ctrl and select the related section in the Table of Contents.

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## **SECTION I: THDA**

### **GUIDE OVERVIEW**

This Originating Agents Guide amends and replaces the Originating Agents Guide dated September 2004 (the “Prior Guide”) and, together with all subsequent revisions, modifications or updates (the “Guide”) provided by the Tennessee Housing Development Agency (“THDA”), contains information about THDA loan programs and specific requirements for qualifying applicants, submitting, closing, and delivering loans for THDA. The Prior Guide shall apply to all THDA approved loans closed on or prior to September 12, 2021, and this Guide shall apply to all THDA approved loans closed on or after September 13, 2021.

THDA may revise, modify or update this Guide from time to time and will notify Originating Agents of such changes. THDA may provide notice of changes by posting such changes to its web site at [www.thda.org](http://www.thda.org).

### **HOURS OF OPERATION AND HOLIDAY SCHEDULE**

The Single Family Programs Division hours of operation are 7:00 a.m. until 4:30 p.m. Central Time, Monday through Friday. Rate lock desk is available 9:00 a.m. until 5:30 p.m. Central Time on all THDA business days. The Single Family Programs Division will be closed on official State holidays which are as follows:

New Year’s Day  
Martin Luther King Day  
Presidents’ Day  
Good Friday  
Memorial Day  
Independence Day  
Labor Day  
Columbus Day\*  
Veteran’s Day  
Thanksgiving Day  
Christmas Day\*\*

\* This holiday may be exchanged for a holiday on the Friday after Thanksgiving.

\*\*Other holidays around Christmas may be announced later.

### **SINGLE FAMILY PROGRAMS DIVISION STAFF DIRECTORY**

The Single Family Programs Division of THDA has day-to-day operational control of the origination and closing of THDA mortgage loans. All correspondence should be directed to:

Single Family Programs Division  
Tennessee Housing Development Agency  
502 Deaderick Street  
Third Floor  
Nashville, TN 37243

THDA Toll-Free.....800-228-8432  
 Single Family Information Line..... 615-815-2100  
 Single Family Ask Desk ..... Email: [sfask@thda.org](mailto:sfask@thda.org)  
 Volunteer Mortgage Loan Servicing ..... 844-865-7378  
 Volunteer Mortgage Loan Servicing ..... Email: [custserv@vol servicing.com](mailto:custserv@vol servicing.com)

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## CURRENT THDA LOAN PROGRAMS

THDA offers the following mortgage loan programs:

- Great Choice
- Homeownership for the Brave
- GC97
- Great Choice Plus
- Homeownership for the Brave Plus
- GC97 Plus

### 1. Great Choice Mortgage Loan Program (Mortgage Revenue Bond)

This MRB loan secured by a first mortgage with the option of down payment and closing cost assistance (see Great Choice Plus for details). 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>Great Choice Mortgage Loan Program</b>	
<b>Eligible Borrower/First Time Homebuyer Rule</b>	Borrower must not have an interest in their primary residence within 36 months of application unless the property to be financed with the loan is in a targeted area (See THDA website for targeted areas.)
<b>Assumable</b>	Subject to qualifying
<b>Interest Rate</b>	Posted on THDA website
<b>Loan Term</b>	30 years
<b>Loan Types</b>	FHA, VA, USDA/RD, uninsured conventional
<b>Max Loan Amount</b>	Varies
<b>Down Payment</b>	As required by loan type
<b>Max MRB Income</b>	Varies by county
<b>Max Acquisition Cost</b>	Varies by county
<b>Eligible Properties</b>	Single Family 1-4 unit (1 must be owner occupied), condos, PUD, townhomes, HUD approved manufactured homes
<b>Homebuyer Education</b>	Required
<b>AUS Requirements</b>	DU, LPA, or GUS
<b>Manual Underwriting</b>	Allowed; See THDA guidelines
<b>Min. Credit Score</b>	640
<b>Max Debt-to-Income Ratio</b>	45%
<b>Max Loan Amount</b>	Varies
<b>Max LTV</b>	Subject to FHA, VA, & USDA/RD guidelines. Conventional loans 78% LTV or less
<b>Min. Investment/Required Reserves</b>	As required by loan type
<b>Mortgage Insurance</b>	As required by loan type
<b>Occupancy</b>	Owner occupied within 60 days of closing
<b>Additional Documentation/Forms</b>	Seller Declaration, Application Declaration, Recapture Disclosure
<b>Pre-Payment Penalty</b>	No Penalty
<b>Subject to Recapture</b>	Yes; Eligible for Recapture Reimbursement Program
<b>Escrows</b>	Required; waivers not permitted
<b>Allowable Fees to be charged</b>	Reasonable and customary fees up to \$1400. Origination fee cannot be charged
<b>Lender Compensation</b>	1.75% at time of loan purchase; 1% SRP

## 2. Great Choice Plus Mortgage Program: Down Payment/Closing Cost Assistance Loan

This MRB loan offers a choice for down payment and closing cost assistance, one offering has deferred payments and the other has a low interest rate with monthly payments. Both are secured by a second deed of trust and only available with the THDA Great Choice first mortgage loan. The Great Choice Plus Loan Payment is at an interest rate the same as the first mortgage, monthly payments amortized over a 15 year term, and the loan amount is 6% of the sales price. The Great Choice Plus Loan-Deferred (no payment) is a flat \$6,000 at a 0% interest rate, 30 year term, and must be repaid if the home is refinanced or sold.




### Great Choice Plus Mortgage Loan Program (DPA) Options

<b>Eligible Borrower/First Time Homebuyer Rule</b>	Must qualify and obtain THDA Great Choice Loan
<b>Assumable</b>	Not allowed
<b>Interest Rate</b>	Same as first mortgage for payment option: 0% for deferred option
<b>Loan Term</b>	15 years for payment option: 30 years for deferred option
<b>Loan Types</b>	Conventional
<b>Max Loan Amount</b>	6% of sales price for payment option: \$6,000 for deferred option
<b>Down Payment</b>	N/A
<b>Max MRB Income</b>	Varies by county
<b>Max Acquisition Cost</b>	Varies by county
<b>Eligible Properties</b>	Same as first mortgage
<b>Homebuyer Education</b>	Required
<b>AUS Requirements</b>	DU, LPA, or GUS
<b>Manual Underwriting</b>	Allowed; See THDA guidelines
<b>Min. Credit Score</b>	640
<b>Max Debt-to-Income Ratio</b>	45%
<b>Max CLTV</b>	Subject to FHA, VA, & USDA/RD guidelines.
<b>Min. Investment/Required Reserves</b>	No
<b>Mortgage Insurance</b>	N/A
<b>Occupancy</b>	Owner occupied within 60 days of closing
<b>Additional Documentation/Forms</b>	THDA provided Note and Deed of Trust
<b>Pre-Payment Penalty</b>	Balance due in full upon first mortgage payoff, assumption, or refinance
<b>Subject to Recapture</b>	No
<b>Escrows</b>	Required; waivers not permitted
<b>Allowable Fees to be charged</b>	Recording fee, prepaid interest, mortgage tax fee, settlement fee of up to \$200
<b>Lender Compensation</b>	Not paid on second mortgage


### 3. Homeownership for the Brave Mortgage Loan Program

This MRB loan program is offered to qualified members of the United States military, National Guard, Veterans and eligible spouses. A 50 basis point rate reduction will apply to the Great Choice, based on the current rate at time of loan rate lock. The loan is secured by a first mortgage with the option of down payment and closing cost assistance (see Homeownership for the Brave Plus for more details). 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>Homeownership for the Brave Mortgage Loan Program</b>	
<b>Eligible Borrower/First Time Homebuyer Rule</b>	Same as Great Choice or the borrower meets the Veteran's exemption for first time homebuyer requirement (See THDA OA Guide for <a href="#">Veteran Exemption</a> ). All Veterans, Active Duty Military (including those in their first tour of duty), Spouse of Veteran or Surviving Spouse of Veteran
<b>Assumable</b>	Subject to qualifying
<b>Interest Rate</b>	Posted on THDA website
<b>Loan Term</b>	30 years
<b>Loan Types</b>	FHA, VA, USDA/RD, uninsured conventional
<b>Max Loan Amount</b>	Varies
<b>Down Payment</b>	As required by loan type
<b>Max MRB Income</b>	Varies by county
<b>Max Acquisition Cost</b>	Varies by county
<b>Eligible Properties</b>	Single Family 1-4 unit (1 must be owner occupied), condos, PUD, townhomes, HUD approved manufactured homes
<b>Homebuyer Ed</b>	Required
<b>AUS Requirements</b>	DU, LPA, or GUS
<b>Manual Underwriting</b>	Allowed; See THDA guidelines
<b>Min. Credit Score</b>	640
<b>Max Debt-to-Income Ratio</b>	45%
<b>Max LTV</b>	Subject to FHA, VA, & USDA/RD guidelines. Conventional loans 78% LTV or less
<b>Min. Investment/Required Reserves</b>	As required by loan type
<b>Mortgage Insurance</b>	As required by loan type
<b>Occupancy</b>	Owner occupied within 60 days of closing
<b>Additional Documentation/Forms</b>	Seller Declaration, Application Declaration, Recapture Disclosure, DD-214 or DD- 4
<b>Pre-Payment Penalty</b>	No Penalty
<b>Subject to Recapture</b>	Yes; Eligible for Recapture Reimbursement Program
<b>Escrows</b>	Required; waivers not permitted
<b>Allowable Fees to be charged</b>	Reasonable and customary fees up to \$1400. Origination fee cannot be charged.
<b>Lender Compensation</b>	1.75% at time of loan purchase; 1% SRP


#### 4. Homeownership for the Brave Plus Mortgage Loan Program

This MRB loan offers a choice for down payment and closing cost assistance, one offering has deferred payments and the other has a low interest rate with monthly payments. Both are secured by a second deed of trust. Loan options are available only with the Homeownership for the Brave first mortgage loan. Brave Plus Loan-payment is at an interest rate the same as the first mortgage, 6% of the sales price, and monthly payments amortized over a 15 year term. Brave Plus Loan-deferred (no payment) is a flat \$6,000 at a 0% interest rate, 30 year term, and must be repaid if the home is refinanced or sold.

 <b>Homeownership for the Brave Plus Mortgage Loan Program (DPA) Options</b>	
<b>Eligible Borrower/First Time Homebuyer Rule</b>	Must qualify and obtain THDA Homeownership for the Brave Loan
<b>Assumable</b>	Not allowed
<b>Interest Rate</b>	Same as first mortgage for payment option: 0% for deferred option
<b>Loan Term</b>	15 years for payment option: 30 years for deferred option
<b>Loan Types</b>	Conventional
<b>Max Loan Amount</b>	6% of sales price for payment option: \$6,000 for deferred option
<b>Down Payment</b>	N/A
<b>Max MRB Income</b>	Varies by county
<b>Max Acquisition Cost</b>	Varies by county
<b>Eligible Properties</b>	Same as first mortgage
<b>Homebuyer Ed</b>	Required
<b>AUS Requirements</b>	DU, LPA, or GUS
<b>Manual Underwriting</b>	Allowed; See THDA guidelines
<b>Min. Credit Score</b>	640
<b>Max Debt-to-Income Ratio</b>	45%
<b>Max CLTV</b>	Subject to FHA, VA, & USDA/RD guidelines
<b>Min. Investment/Required Reserves</b>	No
<b>Mortgage Insurance</b>	N/A
<b>Occupancy</b>	Owner occupied within 60 days of closing
<b>Additional Documentation/Forms</b>	THDA provides Mortgage Note and Deed of Trust
<b>Pre-Payment Penalty</b>	Balance due in full upon first mortgage payoff, assumption, or refinance
<b>Subject to Recapture</b>	No
<b>Escrows</b>	Required; waivers not permitted
<b>Allowable Fees to be charged</b>	Recording fee, prepaid interest, mortgage tax fee, settlement fee of up to \$200
<b>Lender Compensation</b>	Not paid on second mortgage

## 5. GC97 Freddie Mac HFA Advantage Loan Program (Mortgage Backed Securities)


This MBS program is designed for low and moderate income borrowers. GC97 offers an insured conventional mortgage loan secured by a first mortgage with the option of down payment and closing cost assistance (see GC97 Plus for more details). Maximum CLTV limit of 105%. [See Section X.](#)

 <b>GC97 Freddie Mac HFA Advantage Mortgage Loan Program</b>	
<b>Eligible Borrower/First Time Homebuyer Rule</b>	First Time Homebuyer Not Required
<b>Assumable</b>	Per Freddie Mac guidelines
<b>Interest Rate</b>	Posted on THDA website
<b>Loan Term</b>	30 years
<b>Loan Types</b>	Freddie Mac HFA Advantage
<b>Max Loan Amount</b>	Varies
<b>Down Payment</b>	3%
<b>Max MRB Income</b>	Varies by county
<b>Max Acquisition Cost</b>	Varies by county
<b>Eligible Properties</b>	Per Freddie Mac HFA Advantage allows Single-family, one unit primary residence, condos, PUDS are acceptable. Manufactured homes are not eligible.
<b>Homebuyer Ed</b>	Required
<b>AUS Requirements</b>	LPA Only
<b>Manual Underwriting</b>	Not allowed
<b>Min. Credit Score</b>	660
<b>Max Debt-to-Income Ratio</b>	45%
<b>Max LTV</b>	97%
<b>Min. Investment/Required Reserves</b>	Per Freddie Mac guidelines
<b>Mortgage Insurance</b>	Per Freddie Mac guidelines
<b>Occupancy</b>	Owner occupied within 60 days of closing
<b>Additional Documentation/Forms</b>	
<b>Pre-Payment Penalty</b>	No Penalty
<b>Subject to Recapture</b>	No
<b>Escrows</b>	Required; waivers not permitted
<b>Allowable Fees to be charged</b>	Reasonable and customary fees up to \$1400. Origination fee cannot be charged
<b>Lender Compensation</b>	1.75% at time of loan purchase; 1% SRP



## 6. GC97 Plus Freddie Mac HFA Advantage Loan Program (Mortgage Backed Securities)

This MBS loan offers a choice for down payment and closing cost assistance, one offering has deferred payments and the other has a low interest rate with monthly payments. Both are secured by a second deed of trust. This loan is available only with the GC97 first mortgage loan. The GC97 Plus loan- payment is at an interest rate the same as the first mortgage, monthly payments amortized over a 15 year term, and 6% of the sales price. The GC97 Plus Loan-deferred (no payment) is \$6,000 at a 0% interest rate, 30 year term, and must be repaid if the home is refinanced or sold.

 <b>GC97 Plus Freddie Mac HFA Advantage Mortgage Loan Program (DPA) Options</b>	
<b>Eligible Borrower/First Time Homebuyer Rule</b>	Must qualify and obtain THDA GC97 Loan
<b>Assumable</b>	Not allowed
<b>Interest Rate</b>	Same as first mortgage for payment option: 0% for deferred option
<b>Loan Term</b>	15 years for payment option: 30 years for deferred option
<b>Loan Types</b>	Conventional
<b>Max Loan Amount</b>	6% of sales price for payment option: \$6,000 for deferred option
<b>Down Payment</b>	N/A
<b>Max MRB Income</b>	Varies by county
<b>Max Acquisition Cost</b>	Varies by county
<b>Eligible Properties</b>	Per Freddie Mac HFA Advantage allows Single-family, one unit primary residence, condos, PUDS are acceptable. Manufactured homes are not eligible.
<b>Homebuyer Ed</b>	Required
<b>AUS Requirements</b>	LPA only
<b>Manual Underwriting</b>	Not allowed
<b>Min. Credit Score</b>	660
<b>Max Debt-to-Income Ratio</b>	45%
<b>Max LTV</b>	105% max CLTV
<b>Min. Investment/Required Reserves</b>	No
<b>Mortgage Insurance</b>	N/A
<b>Occupancy</b>	Owner occupied within 60 days of closing
<b>Additional Documentation/Forms</b>	FNMA/FHLMC Multi-state Note and Deed of Trust in the name of the Originating Agent
<b>Pre-Payment Penalty</b>	Balance due in full upon first mortgage payoff, assumption, or refinance
<b>Subject to Recapture</b>	No
<b>Escrows</b>	Required; waivers not permitted
<b>Allowable Fees to be charged</b>	Recording fee, prepaid interest, mortgage tax fee, settlement fee up to \$200
<b>Lender Compensation</b>	Not paid on second mortgage



## SECTION II: ORIGINATING AGENTS

To be approved as a Tennessee Housing Development Originating Agent, the lender must meet the qualifications as listed on our website.

THDA uses an online data portal to process new lender applications. Lenders should email [SFask@thda.org](mailto:SFask@thda.org) to start the online application process. No documents should be overnighted or emails to THDA unless requested.

Approved Originating Agent's staff must complete required THDA training prior to being authorized to originate loans. Training includes all aspects of the loan originations process.

### ORIGINATING AGENT WORKING AGREEMENT

The written agreement between an Originating Agent and THDA, which must be executed before any loan applications will be accepted by THDA for processing (the "Working Agreement"), contains the basic contractual agreements between the Originating Agent and THDA. The Working Agreement sets forth general terms under which the Originating Agent is authorized to act on behalf of THDA. The Working Agreement also incorporates the contents of this Guide, prior guides, and other written instructions that may be issued by THDA to provide instruction and direction in the daily operation of THDA's programs. THDA has separate working agreements for the MRB program and the MBS program.

### CORRESPONDENT RELATIONSHIPS

Each Originating Agent is responsible for originating, processing, underwriting, closing, post-closing, submitting the documents to THDA, and insuring all THDA loans in are in accordance with the guidelines and procedures stated in the Originating Agents Guide, the appropriate insurer, guarantor, or Agency requirements, and all regulatory requirements of the following : RESPA, Regulation X, ECOA, Regulation B, FCRA, Regulation V, TILA, Regulation Z, Fair Housing Act, Homeowners Protection Act of 1998, Flood Act, CFPB, and any other applicable federal and state laws and regulations. Applications that are originated by a third party and/or brokered applications, are eligible to be submitted to THDA upon written approval of THDA.

Applications originated by one Originating Agent that are transferred to another Originating Agent for submission to THDA must be re-verified in the receiving Originating Agent's name prior to submission to THDA.

The Originating Agent who originated, processed, closed, insured and delivered a particular loan to THDA must directly assign the Deed of Trust securing the loan to THDA. Insurance or guaranty certificates may not contain the name of any entity other than the Originating Agent or THDA as the beneficiary of the insurance or guaranty.

### MAINTAINING ORIGINATING LENDER APPROVAL STATUS

After initial approval, each Originating Agent will be required to meet the following specified requirements to maintain their status as an approved THDA Originating Agent.

- Maintain required fidelity bond, errors and omissions insurance and net worth requirements.
- Must provide THDA with financial recertification documentation, as required by HUD. Financial statement shall include a balance sheet, an income statement, and a statement of retained earnings, all related notes and the opinion of an independent Certified Public Accountant as to the correctness of those statements.

- Information Security – Lender must provide current information security policy. Written notice must also be provided to document any information security incident or breaches that have taken place in the past three years.
- Minimum Origination Volume – Originate no fewer than 6 first mortgage loans which are purchased by THDA during the first twelve months and each full calendar year thereafter, unless otherwise approved by THDA. Consideration of lesser volume will be given in underserved or rural areas.
- Notification of Organizational Changes – Provide written notice to THDA of any major organizational changes contemplated, including but not limited to:
  - Resignation or replacement of senior management personnel.
  - Resignation or replacement of designated THDA delegated staff.
  - Mergers, acquisitions or corporate name change.
  - Change in savings and loan association charter to become banking association.
  - Change in financial position.
  - Any reorganization, which centralizes or decentralizes a primary function (i.e. underwriting, closing or post-closing).
  - Opening or closing of offices originating THDA loans (include address, phone number and branch manager's name).
- Compliance with THDA Requirements – Maintain compliance with THDA policies, procedures, rules, and regulations as stated in this Origination Agent Guide and subsequent notifications. Comply with terms and conditions contained in the Purchase Agreement.
- Acceptable Loan Performance – Originate loans resulting in a delinquency rate determined to represent an acceptable risk to THDA.
- Lender Performance – If a lender's performance is identified as presenting a significant risk to THDA, THDA reserves the right to impose any of the following restrictions:
  - Place on probationary status,
  - Suspension of loan locking privileges,
  - Retention of lender compensation.
- Early Loan Payoff – THDA will monitor the early loan payoff reports and reserves the right to impose fees for excessive payoffs.

### **Quality Control Plan**

Originating Agents must have a QC Plan that meets FHA, VA, USDA, and Freddie Mac requirements. The Originating Agent must maintain and update its QC Plan as needed to ensure it is fully compliant with all applicable requirements at all times. Provide copies of any notification forwarded to an insure/guarantor for violations of law or regulations, false statements or program abuses by the Originating Agent, its employees or any other party to the transaction as required under the respective Quality Control plan submitted to THDA. An updated QC Plan will be requested as part of the recertification process.

## THDA Quality Control Reviews

THDA will typically perform a monthly Quality Control review of no less than 10% of loans purchased by THDA. The selection will include random and discretionary loans. The Originating Agent will be notified of any significant or unacceptable loan ratings and will assist THDA as needed to mitigate loan level defects. If insignificant loan ratings, the Originating Agent will submit any loan level documentation requested by THDA to clear necessary defects.

## Exclusion Lists

THDA requires all parties involved in the loan process to be screened against the appropriate exclusion lists. This includes employment listed in the QC plan for hiring procedures and all parties involved in the loan process to meet Exclusion List guidelines as set by Insurer, Guarantor or Government-Sponsored Enterprise (GSE) of the mortgage loan. Exclusion lists include, but are not limited to: The Limited Denial of Participation (LDP) list, General Services Administration (GSA), Freddie Mac Exclusionary List (FMEL) and The Office of Foreign Assets Control (OFAC).

## Early Payment Default Reviews

Early Payment Defaults (EPD) are all mortgages that become 60 days delinquent within the first six payments. THDA requires Originating Agents review all EPD on a monthly basis. In addition to the Originating Agent using Neighborhood Watch to assist with identifying FHA EPD, THDA will provide to the Originating Agents contact on record the EPD identified by THDA's Servicing Department. EPD must be reviewed within 60 days from the end of the month in which the loan was selected. THDA will require a copy of the results of each review and any corrective actions taken as a result of review findings. Non response to EPD requests may result in suspension from THDA's mortgage loan programs.

## FEES ORIGINATING AGENT MAY EARN

Originating Agents may earn the following fees in connection with THDA loans:

1. Origination Fee may not be charged by the lender. THDA will pay lender compensation at the time of loan purchase in an amount equal to 1.75% of the loan amount.
2. Normal and Customary Fees – including, without limitations, appropriate application fee. Either Applicant or Seller may pay fees. Loan Estimate and Closing Disclosure should not list any fees payable to THDA. However, section A, page 2 of the loan estimate/closing disclosure cannot exceed \$1,400 for all Origination Charges.
3. Service Release Premium (SRP) – Upon loan completion, THDA will pay SRP in an amount equal to 1% of the loan amount. (See Section VIII, [Servicing Procedures](#))
4. Interest - an Originating Agent may retain per diem interest at the note rate for the number of days Originating Agent holds the loan prior to purchase by THDA.

## SECTION III: QUALIFYING AN APPLICANT

### ELIGIBILITY 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 I](#) 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.
2. Determine whether the Applicant's Income is within the applicable Income Limits as outlined in IRS Rev. Ruling 86-124.
3. Determine whether the Applicant meets the [Residence Requirement](#).
4. Determine whether the Applicant meets the [Three Year Requirement](#).
5. Determine whether Applicant meets the [New Mortgage Requirement](#).

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

## **ACQUISITION COST LIMITS**

### **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.

### **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);
2. The price or total cost to construct a house on a lot owned by the Applicant;
3. The amount paid by the Applicant for an unimproved lot less than two years before the date of loan application upon which a residence will be (or has recently been) built;
4. The cost of necessary repairs to the residence that are not included in the sales contract;
5. The cost for fixtures that are not included in the sales contract;
6. The cost of all materials and labor needed to complete or renovate the residence that are not included in the sales contract;
7. Any other cash or in-kind contributions paid by or on behalf of the Applicant to or for the seller;
8. Any other cash or in-kind contributions paid by or on behalf of the seller to or for Applicant;
9. The portion of settlement and financing costs that exceed usual and reasonable amounts.

## Acquisition Cost Exclusions

Do not include the following items in determining Acquisition Cost:

1. The amount paid by the Applicant for an unimproved lot more than two years before the date of application upon which the subject residence will be (or has recently been) built;
2. The cost for personal property that is not included in the contract for sale;
3. The imputed cost (sweat equity) of Applicant's labor and/or the labor of the Applicant's immediate family members;
4. Loan points paid by the seller;
5. Usual and reasonable settlement and financing costs.

## Current Acquisition Cost and Income Limits by County

See [THDA website](#) for current acquisition cost and income limits.

## MORTGAGE REVENUE BONDS (MRB) INCOME LIMITS, IRS REV. RULING 86-124

### Defining Household

1. Accuracy of Household Composition

Although not a critical issue in other sources of financing, the accuracy of household composition must be determined for purposes of establishing maximum income limit of Applicant. Example 1-2 person household or more than 3. If the Originating Agent becomes aware, at or prior to closing, that the household composition may differ from the composition first proposed, documentation must be corrected and submitted to THDA.

2. Separated Applicant

A separated spouse who will not occupy the property must furnish verification of their current residence to ensure accuracy of Household Composition.

3. Expected Childbirth

Do not include an unborn child for purposes of determining the number of persons in the household.

### Defining MRB Income

The Applicant cannot have, at the time of application or at closing, an MRB Income greater than the applicable MRB Income Limit. **Income reasonably expected over the next 12 months based on past income should be considered.**

MRB Income is the total annual gross income, earned and unearned, from all sources, before taxes or other deductions, received by the Applicant(s).

Determining MRB Income, as described in this section, is essential for determining eligibility for THDA loan programs. This determination of MRB Income is an initial step that is separate and different from subsequent credit underwriting for compliance with FHA, VA, and USDA/RD or PMI regulations.

## **MRB Income Inclusions**

The income to be taken into account in determining the gross monthly income is the income of the Applicant(s) and any other person who is expected both to live in the residence being financed and to be secondarily liable on the mortgage:

1. Wages, whether salary or hourly; including vacation, sick, and holiday pay;
2. Overtime earnings, fees, tips, bonus, shift differential and other compensation for personal services if the borrower has received this income for the past two years and it is reasonably likely to continue. Periods of Overtime, Bonus, or Tip Income less than two years may be considered if the Mortgagee documents that the Overtime, Bonus, or Tip Income has been consistently earned over a period of not less than one year and is reasonable likely to continue. If used for qualifying purpose, it must be used for MRB Income purpose;
3. Commissions;
4. Social Security payments;
5. Interest, dividends and other net income of any kind from real or personal property; (any withdrawal of cash or assets from an investment will be included as income, except to the extent the withdrawal is reimbursement of cash or assets invested by the Applicant(s)); also, the greater of actual earnings or imputed earnings from liquid assets in excess of \$5,000.00.
6. Alimony, child support and other recurring maintenance payments that have been consistently received;
7. Payments from annuities, insurance policies, pensions, retirement funds, royalties, sick pay, trust income, disability, death benefits or other type of payments that are not considered temporary, nonrecurring or sporadic;
8. Armed Forces pay, including regular pay, special pay and allowances (excluding special pay for exposure to hostile fire);
9. Welfare assistance;
10. Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Act of 1970;
11. Benefit and other non-earned income;
12. Any other source of income, except as noted in "Exclusions From Household Income".
13. Annual net income from rental (net rental income is calculated at 75% of gross rent).
14. Total annual net income from operating a business or profession, including expenditures for business expansion or capital indebtedness, and withdrawal of cash or assets except to the extent the withdrawal is for reimbursement of cash or assets invested in the operation by a household member; an allowance for deduction of straight line depreciation of assets used in the operation is allowed.

## **MRB Income Exclusions**

When calculating Household Income do not include:

1. Payments received for care of foster children or foster adults. Unless payments are used for mortgage loan qualification purpose according to insurer/guarantor's guidelines;
2. Adoption assistance payments;
3. Amounts that are specifically for, or in reimbursement of, the cost of medical expenses for a household member;
4. Income of a live-in aide;
5. Student financial assistance (educational grants, scholarships, educational entitlements, work-study programs and financial aid packages) paid directly to the student or to the educational institution;
6. Armed Forces special pay for exposure to hostile fire;
7. Earned Income Tax Credits;
8. Amounts received that are incident to a training program funded by HUD, including compensation that is a component of a state or local employment training program with clearly defined goals and objectives, the duration of which is for a limited period, determined in advance;
9. Amounts received by a disabled person that are disregarded for a limited time for purposes of Supplemental Security Income (SSI) eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
10. Amounts received by a participant in a publicly assisted program which are specifically for or in reimbursement of out-of-pocket expenses (such as special equipment, special clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program, such as the Community Work Experience Program, or the Employment Search Program; this exemption also includes volunteer fire-fighters;
11. Temporary, sporadic or nonrecurring income, including gifts;
12. The value of Food Stamps;
13. Lump sum additions to assets, such as inheritance, insurance payments (including health and accident insurance and worker's compensation payments), capital gains, settlement for personal or property loss, and deferred periodic payments received in a lump sum from Supplemental Security Income (SSI) and Social Security benefits;
14. Repatriation payments made by foreign governments pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era (initial determination or reexamination must have been made on or after April 13, 1993).

## **RESIDENCE REQUIREMENT**

The Applicant(s) must occupy the property as their permanent, principal residence within 60 days after the THDA loan is closed. The Applicant(s) must use the property as their permanent, principal residence for the life of the THDA loan.

## **THREE YEAR REQUIREMENT**

Applicant(s) who have had an ownership interest in their principal residence within the three years (a full 36 calendar months) prior to the date of application are not eligible for a THDA loan. When an applicant is married, both spouses must meet the three year, first-time homebuyer requirement. The three year requirement does not apply if the property to be acquired with the THDA loan is located within a [Targeted Area](#) or under certain circumstances if the applicant is a [veteran](#).

## Permitted Ownership Interests

An Applicant may have the following ownership interests in their principal residence within the last three years and be eligible for a THDA loan:

1. An ordinary lease, with or without an option to buy;
2. The interest of a buyer under a standard residential purchase contract;
3. A mere expectancy to inherit property at a later date;
4. A remainder interest;
5. A manufactured home without ownership of the land on which it is located;
6. A manufactured home and land on which it was located, if the manufactured home was not titled and assessed as real property;
7. Any of the prohibited ownership interests if the property is in a Targeted Area;
8. Any other interest that is not a prohibited interest, as determined by THDA.

An Applicant may also have the following ownership interests within the last three years and be eligible for a THDA loan:

1. An ownership interest in a vacation home or rental property;
2. A financial interest in a residence in which the Applicant has not resided at any time within the last three years

## Prohibited Ownership Interests

Determine whether the property is in a [Targeted Area](#). If the property is in a Targeted Area, this requirement does not apply.

Applicants who have had any of the following ownership interests in their principal residence within the three years (a full 36 calendar months) before the date of the THDA loan application are not eligible for a THDA loan to acquire property located within a non-Targeted Area:

1. A fee simple interest;
2. A joint tenancy;
3. A tenancy in common;
4. A tenancy by the entirety;
5. The interest of a tenant-shareholder in a cooperative;
6. A life estate;
7. A land contract;
8. Ownership of a manufactured home and the land on which it was located, if the manufactured home was titled and assessed as real property;
9. An interest in an Applicant's principal residence created by the existence of an inheritance, whether title is vested in the Applicant or not



10. Any of the above interests held in a trust (whether or not created by the Applicant) that would constitute an ownership interest if held directly by the Applicant.
11. Interest arising because, within the last three years, the Applicant's name was included on a deed to a residence which the Applicant occupied as their principal residence.
12. Interest arising because, within the last three years, the Applicant was married to a person who had one of the prohibited ownership interests in a residence which Applicant occupied as their principal residence.
13. Any other interest that constitutes an ownership interest, as determined by THDA.

### **Veteran Exemption**

Veterans and their spouses do not have to meet the three year requirement (i.e. be a first-time homebuyer) under certain circumstances to be eligible for THDA's mortgage programs. "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.

### **NEW MORTGAGE REQUIREMENT**

A THDA loan cannot be used to refinance an existing loan. A THDA loan may replace a temporary construction or bridge loan if acceptable documentation is provided to THDA that such a loan has a non-renewable term of twenty-four (24) months or less, documented with a copy of the construction or bridge loan note and recorded Deed of Trust. A THDA loan cannot close with a three-day Right of Rescission. All THDA loans must be amortized for a term of 30 years, unless a different term is specifically stated in this Guide.

### **TARGETED AREAS**

A Targeted Area is a qualified census tract or an area of chronic economic distress as designated by the IRS. A Targeted Area may be an entire county or may be a particular census tract within a county. The Targeted Area designation is important for two reasons:

1. The Three Year Requirement does not apply in Targeted Areas; and
2. THDA is required to use or set aside a portion of the proceeds from each bond issue for loans in Targeted Areas.

Documentation in each application file submitted to THDA must correctly identify whether the property is or is not located within a Targeted Area. The Appraisal must identify the relevant census tract. If a discrepancy occurs in the census tract information reported on the appraisal versus the census tract shown on the Flood Hazard Determination, the Originating Agent must clarify and provide correct census tract information to THDA.

### **Census Tracts**

The US Census Bureau divides the United States into many small geographic areas, and identifies each with a unique series of numerals separated by decimals. These numbers indicate the property's state, county, tract, and sub-tract.

## CURRENT TARGETED AREAS

### 1. Targeted Counties

Campbell	Franklin	Houston	Monroe	Union
Cannon	Gibson	Jackson	Morgan	Van Buren
Carroll	Grainger	Jefferson	Overton	White
Claiborne	Greene	Johnson	Pickett	
Cocke	Grundy	Lake	Polk	
Crockett	Hancock	Lauderdale	Rhea	
Dekalb	Hardeman	Lawrence	Scott	
Dyer	Hawkins	Lincoln	Stewart	
Fayette	Haywood	Macon	Tipton	
Fentress	Henderson	Meigs	Trousdale	

### 2. Targeted Census Tracts

County	Census Tracts						
Bradley	104.00	108.00					
Coffee	9709.00						
Davidson	113.00	118.00	119.00	126.00	136.01	136.02	138.00
	139.00	142.00	143.00	144.00	148.00	163.00	190.03
	190.05	193.00					
Hamblen	1003.00						
Hamilton	4.00	16.00	19.00	20.00	24.00	25.00	109.02
	122.00						
Henry	9693.00						
Knox	8.00	14.00	24.00	26.00	28.00	29.00	67.00
	68.00	69.00	70.00				
Madison	4.00	5.00	7.00	8.00	9.00	10.00	11.00
Montgomery	1001.00	1004.00	1009.00				
Robertson	804.01						
Rutherford	419.00						
Shelby	2.00	4.00	6.00	8.00	9.00	11.00	14.00
	15.00	19.00	20.00	21.00	24.00	28.00	38.00
	45.00	46.00	50.00	53.00	55.00	56.00	57.00
	58.00	59.00	67.00	68.00	70.00	75.00	78.10
	78.21	79.00	82.00	89.00	99.02	101.20	102.10
	103.00	105.00	106.30	112.00	113.00	114.00	115.00
	116.00	205.23	205.42	217.25	222.20	223.21	
Sullivan	406.00						
Washington	609.00	610.00					
Weakley	9682.02						

## SECTION IV: OTHER THDA PROGRAM REQUIREMENTS

### 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 THDA, the relevant insuring program as evidenced by the approval of a Direct Endorsement underwriter and the insurer program accepted underwriting software, i.e. Loan Product Advisor, 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;
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 Declaration and as precluded by the THDA Rider.
6. Must complete homebuyer education from a THDA approved provider prior to closing from a THDA approved provider.

### PROPERTY ELIGIBILITY

#### **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
  - e) 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 residence includes a manufactured home, the residence is classified as a manufactured home for THDA's purposes. A structural engineer's report is required stating that the home is permanently attached to a foundation in compliance with HUD guidelines. Evidence property has been de-titled by the state of Tennessee or proper de-titling information provided to THDA.

2. Any property consisting of more than one unit as described above, or that contains a separate living unit detached from the Borrower's principal residence, will not be eligible for THDA funding.
3. Not to be used in a trade or business or as an investment property, vacation home or seasonal home. Occasionally individuals claim a business deduction on their Federal Income Tax Returns. In most cases this is a small portion of the home used as an office and the tax return must show the percentage of square footage used for the business deduction. As long as the square footage used for a business deduction is 15% or less, it is acceptable to THDA. The home cannot be used as a day care center, beauty salon or other similar business.
4. Be in good condition, meet state and local codes, and comply with local zoning in its present use.
5. Be in complete compliance with any and all loan program insurer guidelines for minimum property standards and loan insurance. Any closed loan subsequently found ineligible for insurance for a property related issue, as determined by the relevant insurer, is ineligible for THDA funding and immediately subject to repurchase by the Originating Agent, without exception.
6. In order for a HUD owned property to be considered an eligible property for THDA funding, it must be listed for sale as:

“Insurable”, meaning that FHA’s MPR has been met at the time of the appraisal, and no repairs are required regardless of program type (FHA, VA, USDA/RD, or Conventional):

or

“Insurable With Conditions” and all conditions have been satisfied to fully meet FHA’s MPR or HUD is providing escrow funds to cover the costs of required repairs regardless of program type (FHA, VA, USDA/RD, or Conventional).

The HUD Appraisal must include the estimated cost of any required repairs and must state that the utilities were on. THDA will allow HUD escrow for repairs to be included in the loan amount. THDA will also allow borrower funded escrow for required repairs. The appraiser must specify the cost of any and all required repairs. An actual bid from a licensed contractor stating the total cost of the required repairs may be required by THDA. The Originating Agent must be responsible to insure that adequate funds are available to complete the required repairs and at a minimum, one and one-half (1½) times the cost of the repairs must be held in escrow. The required repairs must be completed within 60 days of the date of loan closing and a clear, final inspection by the appraiser or Originating Agent is required. An escrow agreement signed by the Originating Agent and the borrower must be provided to THDA. THDA reserves the right to reject any request for escrows.

## **Appraisals**

The Originating Agent is responsible for selecting appraisers and reviewing the quality of their work. THDA does not maintain a list of approved appraisers; however, THDA reserves the right to refuse appraisals from specific appraisers or appraisal firms. THDA also reserves the right to require a new appraisal prepared by a different appraiser or to require additional information, including additional comparable sales.

As an element of THDA's quality control process, appraisal desk reviews and field reviews may be ordered by THDA. Reviews indicating that the original appraisal contained unrealistic valuation methods or conclusions, or reviews that reveal patterns of inappropriate valuations, may result in the suspension of the appraiser from THDA's programs, or other appropriate action.

All application files submitted for THDA underwriting must include a Uniform Residential Appraisal Report (URAR), completed by an appraiser who is licensed by the State of Tennessee, and who has no financial interest in the transaction.

The Appraisal must indicate an appraised value acceptable to THDA. An application may be rejected by THDA if:

1. The appraised value of the property exceeds the applicable Acquisition Cost Limit by more than 20%; or
2. The Appraisal indicates a land value in excess of **40%** of the total appraised value of the property, unless otherwise approved by THDA in its sole discretion; or
3. The Appraisal indicates the property values for the neighborhood in which the property is located are declining and the Applicant is seeking a THDA mortgage loan for maximum financing.

### **Acceptable Amount of Land**

Property purchased using a THDA loan program can include one subdivision lot of up to five acres in size, as shown on a recorded subdivision plat, without express THDA approval. More than one recorded subdivision lot may be acceptable at THDA's discretion, if the lots are located in an older subdivision containing narrow "shotgun" lots, and if one lot does not contain the minimum size required under local regulation to permit construction of a residence. Lots of any size not shown on a recorded subdivision plat require express approval by THDA, at THDA's sole discretion.

Land relating to a residence shall be considered as part of the residence only if such land reasonably maintains the basic livability of the residence and does not provide a source of income to the mortgagor.

## **ELIGIBLE LOAN TYPES AND TERMS**

### **Types of Loans**

Each THDA loan must be one of the following:

1. Insured or guaranteed by one of the following:
  - a. the Department of Veterans Affairs (VA), as evidenced by a Loan Guaranty Certificate (LGC); or
  - b. the Federal Housing Administration (FHA), as evidenced by a Mortgage Insurance Certificate (MIC) in FHA connection; or
  - c. the United States Department of Agriculture, Rural Development, as evidenced by USDA/RD Form 3555-17.
2. Conventional loans must have a loan-to-value ratio of 78% or less based on the loan amount divided by the lesser of appraisal or contract sales price. In the case of a self-built new construction, the ratio is based on the lesser of appraised value or actual total cost. [See Section X - GC97](#) for higher loan-to-value program requirements.

## Maximum Loan-To-Value Ratios

As permitted by FHA, VA, USDA/RD, or 78% LTV for conventional uninsured loans, subject to any restrictions contained in this Guide.

## Maximum Loan Amount

### 1. Conventional Loans (uninsured 78% LTV and below)\*

- a. All Conventional loans must be underwritten using FNMA and FHLMC guidelines. Automated Underwriting Systems (AUS), FNMA's (DU) or FHLMC's (LPA) must be used for the underwriting decision.
- b. Loans at 78% or less LTV may be manually underwritten if the borrower/s have no credit score. \*[See GC97](#) program guidelines for higher LTV options.

### 2. FHA, VA or USDA/RD Loans

The Base Loan Amount cannot exceed the appraised value, and cannot exceed THDA's Acquisition Cost limit for the county in which the property is located. The Total Loan Amount may exceed the maximum Acquisition Cost limit by no more than the amount of financed MIP, funding fee or guaranty fee.

### 3. FHA 203(h) Mortgage Insurance for Disaster Victims

THDA will accept applications under FHA's Section 203(h) Mortgage Insurance for disaster victims, provided they were a tenant who lost the use of their rental primary residence due to a natural disaster located within a Presidentially declared area.

- Program is in effect for one year from when the President declares the disaster.
- 100% financing for disaster victims whose homes/residences have been either destroyed or damaged to the point that reconstruction is required in a Presidentially declared disaster area.
- 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. Applicant(s) with no credit scores, however, may be manually underwritten using non-traditional credit guidelines in accordance with FHA, VA or Rural Development requirements. If all applicants do not have a credit score, application must be manually underwritten using non-traditional credit guidelines.
5. The total debt to income ratio must not exceed 45%. Debt to income ratio for manual underwriting must not exceed 43%. Debt to income ratio for non-traditional credit file (no scores) is limited to 36%.
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.

## **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.

## **Loan Payment Terms**

1. Great Choice and Homeownership for the Brave

Great Choice and Homeownership for the Brave 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.

2. Great Choice Plus and Homeownership for the Brave Plus

THDA will be offering two second mortgage loan program options available across the entire state, regardless of the sales price, as long as it meets THDA's acquisition limits.

### **Great Choice Plus-Deferred/GC97 Plus -Deferred (no payment) terms:**

- Loan Amount is equal to \$6,000
- 0% interest rate
- 30 year term, due on sale or refinance
- Deferred payments, therefore no payment for qualifying purposes
- Second mortgage loan will be locked simultaneously with the first mortgage, key words in program description for a successful lock "No Payment"

### **Great Choice Plus-Payment and GC97 Plus-Payment terms:**

- Loan Amount is 6% of the sales price
- 15 year amortizing
- Interest rate is the same as the first mortgage
- Monthly payment must be considered in the debt ratio
- Second mortgage loan will be locked simultaneously with the first mortgage, key word in program description for a successful lock "Payment".

The deferred option listed above does meet 12 CFR § 1026.3 for partial exemption as long as a settlement fee is not charged.

### **Prepayment Penalty**

Prepayment penalties are not permitted on THDA loans.

### **Late Charge**

Late charges, if any, must be reflected in the Deed of Trust and Note and must be in compliance with program insurer's guidelines.

Great Choice Plus secondary mortgage loan must reflect in the Deed of Trust and Note a late charge of 5% of the overdue payment of principal and interest if the monthly payment is not made by the end of 15 calendar days after the date it is due.

### **Origination Fee**

May not be charged by the lender.

### **Assumptions**

THDA first mortgage loans are assumable only if the person assuming the THDA loan meets all THDA program requirements applicable to new THDA loans, and the assumption application is approved by THDA. Assumption applications are processed by THDA or the THDA Servicer of the loan to be assumed.

THDA second mortgage loans are not assumable with the exception of a VA assumption.

## **FEDERAL RECAPTURE**

All THDA loans are subject to the federal recapture tax. The recapture tax is designed to recapture a portion of the subsidy associated with THDA loans. Recapture tax liability must be determined at the time the property is sold, if the sale occurs within nine years from the closing of the THDA loan. Refinancing a THDA loan does not trigger recapture tax liability, however, if the property is sold after the date of refinancing but before the ninth anniversary of the THDA loan closing, recapture tax liability must be determined at the time of sale. THDA Originating Agents notify the Applicant about recapture tax at the time a THDA loan application is made by securing their signature on the Notice to Applicants Federal Recapture Requirements.

Whether the recapture tax results in an actual payment to the federal government depends on a number of factors, including changes in family income, gain on the sale of the property, the number of years the THDA loan is outstanding, and the original THDA loan amount. The exact amount to be paid, if any, cannot be determined until the property is sold.

For further information regarding the federal recapture tax, advise Applicants or Borrowers to contact their tax professional. Written information is available by ordering IRS Form 8828



“Recapture of Federal Mortgage Subsidy” and its accompanying instructions from any IRS office or through the IRS website at [www.irs.gov](http://www.irs.gov).

## **FEDERAL RECAPTURE TAX REIMBURSEMENT**

THDA will reimburse any THDA homebuyer who purchases their home on or after May 1, 2021, the amount of recapture tax the homebuyer pays to the IRS in connection with the sale of the home. THDA will not calculate the recapture amount. Upon sale or disposition of the residence, the borrower(s) must calculate the recapture or consult a tax advisor or the IRS. IRS Form 8828 must be filed for the year in which the home was sold or otherwise disposed of.

In order to request a recapture tax reimbursement from THDA, the borrower is responsible for the following items:

- Originally signed IRS Form 4506
- Copy of signed and filed tax return, including completed IRS Form 8828
- Proof federal taxes were paid
- Copy of Final Closing Disclosure issued in connection with the disposition of the home
- Completed Request for Recapture Tax Reimbursement form

THDA will process the request for reimbursement when copies of the borrower(s) tax returns are received from the IRS. THDA will only reimburse the recapture amount actually paid, but will not reimburse fees, interest, expenses or penalties incurred.

Be advised that THDA will issue an IRS Form 1099 so the amount of any recapture tax that THDA reimburses to the borrower will be reported to the IRS as income.

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

### **OVERVIEW**

#### **Rates and Rate Lock**

Current interest rates are listed on our website at [www.thda.org](http://www.thda.org) on the [Lenders page](#). Rates can be locked at any time prior to submission. Loans must be locked at the time the complete loan file is submitted to THDA for approval. For mortgage loan programs described in Section I, existing construction rates will be locked for 90 days; new/proposed construction will be locked for 180 days. One 30 day extension may be allowed. Rate lock desk is available 9 a.m. to 5:30 p.m. Central Time during THDA's business days. Rate locks cannot be cancelled and relocked when interest rates decrease. If a loan is cancelled and the borrower changes properties, a new lock can be obtained. If Program changes, THDA will take original lock date and new lock request into consideration and provide lock confirmation reflecting highest day pricing. THDA reserves the right to request a Change of Circumstance from the Originating Agent.

#### **Disclosures**

1. Great Choice and Homeownership for the Brave  
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. All Originating Agents are expected to adhere to all timing guidelines as outline in 12 CFR § 1026.19(e)(1)(iii)(A) for the Loan Estimate.
2. Great Choice Plus and Homeownership for the Brave Plus  
Originating agents will provide all disclosures that comply with all federal and state laws and/or regulations. These include Loan Estimate and Closing Disclosure. All Originating Agents are

expected to adhere to all timing guidelines as outline in 12 CFR § 1026.19(e)(1)(iii)(A) for the Loan Estimate as well as all timing guidelines as outlined in 12 CFR § 1026.19(f)(1)(ii) for Closing Disclosures.

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

Eligible applicants must meet credit underwriting standards of THDA, the relevant insuring program, as evidenced by the approval of a Direct Endorsement underwriter and the insurer, program accepted, underwriting software, i.e. Loan Product Advisor (LPA), 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 36%.
  - Two months PITI in reserves. This cannot be a gift.
3. Refer/Eligible: Loans must be manually underwritten, maximum debt ratio of 43%, minimum credit score of 640, one month PITI in reserves (this cannot be a gift) and must meet one of the two 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.
  - 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 or VA mortgage loan with DPA, 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.

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.

### **Homebuyer Education**

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. Instructor Led Workshop
  - A minimum of six hours of classroom education
  - A four hour class or workshop, paired with a minimum of one hour of individual counseling
  - A minimum of four hours of instructor led workshop, 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 after which course must be retaken.

### **Age of Credit Documents**

All credit documents must be current when submitted to THDA for underwriting. Loan must close by the earliest date, date listed on AUS findings or rate expiration date. For new/proposed construction loans, income documents more than 120 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.

### **Non-Purchasing 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-purchasing spouse:
  - a. Signature on an original Application Declaration (can be on the same Declaration as borrower or on a separate Declaration).
  - b. May sign the Deed of Trust if named on the sales contract, title commitment or required by the settlement company.

### **Co-Signers**

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

## **ASSETS**

### **Substantial Liquid Assets**

If an Applicant has recurring deposits or large deposits as outlined in the insurer/guarantor's guidelines/AUS results, 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.

### **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 III](#)).

### **Gift Letter**

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

## **VERIFICATIONS**

### **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 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).

For additional information see Section VI, [Verifications](#).

### **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.

### **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.

### **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.

### **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.

### **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.

### **Deposit Verifications**

Verification of Deposit (VOD) and Applicant's most recent statement or alternative documentation, Applicant's bank statements for the previous two months for each account. When non-traditional credit is used (no credit score), two months PITI in reserves is required. When manually underwritten with a score of 640 or higher, one month PITI in reserves is required.

When a debt or obligation is not listed on the mortgage application and/or credit report and is listed on a bank statement such as debt to a pay day loan company, the OA is responsible for

verifying the debt. This includes providing information in the submission package for the total amount owed and the actual monthly payment. Debt ratio should reflect this debt if it is amortizing.

### **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).

### **FHA 203(h) Proof of Permanent Residence**

The victim/applicant'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/applicant must provide conclusive proof of permanent residence with one of the following:

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

### **FHA 203(h) Proof of Destruction of Residence**

The victim/applicant'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/applicant 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

## **DEBTS, OBLIGATIONS AND OTHER EXPENSES**

### **Remaining Debt Payments**

Although most program insurer underwriting guidelines allow a certain number of remaining scheduled debt payments to be disregarded for purposes of loan qualifying, the impact of existing debt payments on Applicant's budget at the time of the first scheduled THDA loan payment may be evaluated in THDA's sole discretion. Any debt being paid off at closing must have acceptable funds sourced. THDA second mortgage loans cannot be used to pay off debt.

### **Payday Loans**

See [Deposit Verification](#)

### **Bankruptcy (Chapter 7 and Chapter 13)**

An Applicant's Chapter 7 bankruptcy must be discharged for a minimum of two years and acceptable credit must be re-established to be eligible for a THDA loan.

An Applicant's Chapter 13 bankruptcy must be discharged for a minimum of one year, with all payments on the plan made as agreed, and acceptable credit re-established or maintained during this time.

Applicants currently in bankruptcy are not eligible for THDA loan programs.

THDA considers re-established credit, tradelines either traditional or non-traditional that have been active for 12 consecutive months.

### **Previous Default**

Applicants with prior foreclosures or deeds-in-lieu are not eligible for THDA loan programs for a period of three years from the date of the foreclosure sale. If the foreclosure or a short sale was on a THDA funded loan, the applicants are not eligible for another THDA loan.

### **Child Support and Alimony Obligations**

Include a copy of the final order, signed by the court. Payments must be current

### **Judgments**

Any and all judgments must be handled in accordance with the program insurer guidelines.

### **Federal or State Tax Liens, Tax Arrearages**

All tax liens must be paid in full. Include an acceptable explanation from the Applicant. Any and all arrearages/obligations should have an established payment plan in place which includes timely payments made that meets the insurer/guarantor's guidelines. Excessive tax arrearages/obligations are subject to THDA's approval.

### **Collections**

Any and all collection accounts must be handled in accordance with program insurer guidelines.

### **Co-Signed Debt**

Any and all co-signed accounts must be included in Originating Agent underwriting decisions in accordance with program insurer guidelines.

### **Child Care Expense**

Child care expenses must be handled in accordance with program insurer guidelines.

### **Legally Enforceable Obligation Letter**

If a borrower receives a Great Choice Plus loan and has an FHA first mortgage, a Legally Enforceable Obligation Letter, Form HO-0476, must be signed by Borrower at closing. This letter will be sent to the Originating Agent with the THDA loan commitment.

### **Establishing / Re-establishing Credit**

Applicant(s) must show credit worthiness to obtain financing with THDA. If establishing or re-establishing credit, 3 non-traditional trade lines with 12 month good payment history must be provided, the combination of traditional and non-traditional trade lines can be provided. Additional information may be required or accepted at the discretion of THDA.

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

### **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 MRB 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](#). This includes final approval.



All application files are reviewed to determine all documentation per the THDA Underwriting Submission Checklist and AUS results have been included in the submission. THDA's processing department will hold incomplete applications, and notify lender until all required documents have been submitted. At that point, the file will be submitted to the underwriting department.

## **REQUIRED DOCUMENTS**

### **Underwriting Submission Checklist**

Include this signed form with each application file submitted to THDA for underwriting. If the applicant(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. [See Section IX](#).

### **Application Declaration**

The executed Application Declaration must be uploaded as part of the loan submission package. The Application Declaration must be signed by each loan applicant(s). Married applicants must both sign the Application Declaration and meet first-time homebuyer eligibility requirements, even if a non-purchasing spouse is involved.

### **Veteran Exemption Application Declaration**

The executed Veteran Exemption Application Declaration 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 Declaration and the veteran's spouse does not have to meet the three year requirement.

### **Seller Declaration**

The seller of the property must execute a Seller Declaration for each application file submitted to THDA. The original Seller Declaration must be retained by the lender. [See Section IX](#) for additional information.

### **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) must be included in the initial application file. If an Applicant cannot provide a copy of their most recent Federal Income Tax Return, they must obtain an IRS Tax Transcript which is available from the IRS office where the tax return was filed, or the applicant can visit "Get Your Tax Record" at [www.irs.gov](http://www.irs.gov). Transcripts may be ordered by the lender using IRS Form 4506-C. If an Applicant was not required to file a Federal Income Tax Return, provide a non-filing status from the IRS. If non-filing cannot be obtained, provide an explanation, credit report, and Application Declaration which may be used at THDA's discretion.

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.

### **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.

### **Grants/Down Payment Assistance Approval Letters**

If the Applicant expects to receive a grant or down payment 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.

## **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.

## **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 Transmittal 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.

## **Loan Application and Addendums (URLA & 92900A)**

Include the initial URLA and 92900A, signed and dated by the Applicant(s) and the loan officer and page 3 by the underwriter. Final URLA and 92900A should be provided with closing package. Three years of residency must be stated on the URLA.

## **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.

## **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. Explanation letter should be included in the file for any recent inquiries

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

Include copies of any or all of these documents, as applicable. Parenting plan may be used to determine the accuracy of household composition. Divorce must be final for 30 days prior to closing a THDA mortgage loan.

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

OA must document the Applicant's income and employment history for the most recent 2 years. Verification of the accuracy of the income used for qualification purposes must be represented in the submission. If primary employment is salary or hourly, the base pay rate for qualification purposes cannot exceed the amount reflected on the most recent pay stub. Expected Income can be considered on a case by case basis. Applicant must have sufficient cash reserves to support all obligations between closing and the beginning of



the receipt of income. Upon THDA approval, Expected Income must be handled in accordance with program insurer guidelines.

For additional information See Section V, [Employment Verification](#).

### **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.

### **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. Mortgage loan is subject to repurchase if original certificate of title or original MCO is not received by 120 days after closing. If Manufactured Home is already de-titled, please submit with the underwriting package.

### **Verification of Deposit or Bank Statements for Previous Two Months**

See Section V, [Verifications](#).

### **Sales Contract**

Include a copy of the purchase agreement (fully executed by seller and Applicant) in the application file. Any changes to the purchase agreement must be initialed by seller and Applicant. All addendums should be included with the submission. Sales Contract should not be expired.

### **FHA Conditional Commitment**

Enclose the HUD Form 92800.5B (FHA Conditional Commitment) signed by the DE Underwriter.

### **Appraisal**

Uniform Residential Appraisal Report (FMNA 1004) must be included in the application file. The Uniform Residential Appraisal Report must reflect inspections of both the interior and exterior of the dwelling. If appraisal has a “subject to” repair value, final inspection must be provided to THDA.

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.

### **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.

### **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. The LE must be provided for all second mortgage loans. All OAs are expected to adhere to all timing guidelines as outline in 12 CFR § 1026.19(e)(1)(iii)(A) for the Loan Estimate.

### **Title Commitment**

Title commitment must be provided to determine if applicants have any tax liens or judgments. Title searches must include public record information. Legal description of the property should be included with the title commitment.

### **Hazard Insurance**

Hazard Insurance Declarations Page must be provided. See Section VII, [Hazard Insurance](#).

## **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.*

### **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.

### **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.

### **Borrower Obtains Construction Loan**

1. Verification of the construction loan amount and term is required and should be added to the 1003. No cash out to borrower at closing is allowed.
2. If the applicants have hired a contractor to build the home, a copy of the construction contract is required and, at a minimum, the construction contract must state total cost or price. It cannot state cost plus a percent for profit.

## **THDA UNDERWRITING DECISIONS**

### **THDA Underwriting Results**

THDA Underwriters review each application file (original, update or re-submission). This review results in one of the following:

1. THDA Underwriters may approve an application file without conditions or subject to conditions as specified in See Section VI, [Commitments](#).
2. THDA Underwriters may request additional documentation from the Originating Agent.
3. THDA Underwriters may reject an application that fails to meet the requirements of this Guide.

4. THDA Underwriters will reject an application if Household Income exceeds current Household Income Limits, if Acquisition Cost exceeds current Acquisition Cost Limit, if the property is not eligible for THDA financing, or if the Applicant's credit is not acceptable to THDA. THDA, at its sole discretion, reserves the right to credit underwrite any loan and issue a denial based on unacceptable credit issues.

## **Rejections**

Any application file rejected by a THDA Underwriter is reviewed by management before the Originating Agent is notified.

## **Resubmissions**

Resubmitted application files are processed by THDA in the same manner as new application files. THDA reserves the right to question a re-submitted application file that reveals significant income, deposit or asset discrepancies when compared to the application file that was initially submitted. Resubmissions are also subject to rate lock agreement of original rate lock unless resubmission is greater than 60 days from the original decision, or if applicant is purchasing a different property.

## **COMMITMENTS**

### **Application Approval**

An application file is not approved until a written Commitment is issued by THDA.

### **Commitment Term**

Commitment term is determined when a mortgage loan file has a rate locked. Commitments for existing homes are issued for a period of up to 90 days. Commitments for new/proposed construction homes are issued for a period of up to 180 days. Loans must be closed by the rate lock expiration date. Commitment is void when rate lock expires.

### **Commitment Conditions**

Commitments may be conditioned by THDA as follows:

1. Commitments may be issued with Prior-To-Closing conditions that must be satisfied before the loan can be closed, or
2. Commitments may be issued with conditions indicated under the heading "Receipt, With Closing Documents" (closing conditions).

### **Satisfying THDA Commitment Conditions**

1. All Prior-To-Closing conditions must be satisfied in a manner satisfactory to THDA prior to loan closing. Submit all documents needed to clear all Prior-To-Closing conditions for each application file simultaneously.
2. All Closing Conditions (indicated on the Commitment as "Receipt, With Closing Documents") must be satisfied by the time the loan is closed. Documentation acceptable to THDA to satisfy Closing Conditions must be included with the closed loan file when uploaded to THDA.
3. THDA, in its sole discretion, may refuse to purchase any loan when any loan closing condition is not satisfied.

## **Update of Application or Commitment**

The application file and the Commitment must be updated in the following situations:

1. After the Commitment is issued, if the Originating Agent becomes aware of significant changes in the Applicant's household composition, income or credit, updated documentation must be submitted to THDA for review and approval.
2. When construction is complete (based on new/proposed construction) final inspection, final photos and updated income documents (if more than 120 days old) must always be submitted for THDA review and approval.
3. All requests for an extension of a Commitment must be accompanied with updated income documents if the income documents are more than 120 days old (new/proposed construction).

## **Loan Amount or Program Type Changes**

Occasionally, there will be a change in the loan amount, and/or the loan program may change. If the final loan amount is less than the loan amount indicated in the commitment, the Originating Agent should immediately contact THDA. THDA will issue a revised Commitment, but closing can proceed, providing all other elements of the commitment have been satisfied.

If the final loan amount is more than the amount indicated in the Commitment, the Originating Agent should immediately contact THDA Underwriting. Closing should not be scheduled or held if already scheduled. The Originating Agent must submit revised loan amount documentation and the updated Originating Agent underwriter approval on the higher loan amount.

In any and all cases where the loan amount changes after receiving the THDA approval, THDA must be contacted before loan closing occurs. Do not close THDA loans when discrepancies exist.

## **Commitment Delivery**

THDA will deliver Commitments to Originating Agents by email based on documentation provided on the Underwriting Submission Checklist and OA Working Agreement.

## **Void Commitments**

A Commitment is void under the following circumstances:

1. Prior-to-Closing conditions are not satisfied, as determined by THDA, before the loan is closed;
2. Documentation in connection with "Receipt, With Closing Documents" (Closing Conditions) is not submitted with the closed loan package, or is not satisfactory to THDA;
3. A grantee on the Warranty Deed is not named in the Commitment;
4. The property described in the closing documents differs from the property indicated in the Commitment and/or on original URAR;
5. The loan closes as a loan type that is different from the loan type indicated on the Commitment;
6. The loan closes in an amount larger than the amount indicated on the Commitment;

7. The interest rate or loan term differs from the Commitment;
8. The monthly principal and interest payment in the promissory note of the first or second mortgage loan is less than the principal and interest payment indicated on the Commitment;
9. The monthly principal and interest payment in the promissory note of the first or second mortgage loan exceeds the principal and interest payment indicated on the Commitment by more than \$.01;
10. The loan closes prior to the date of Commitment;
11. The loan closes after the Commitment expiration date (rate lock date) without Commitment extension by THDA;
12. The closed loan servicing package is delivered to a servicer other than THDA;
13. The closed loan does not otherwise conform to the requirements contained in this Guide.

A loan closed with a void Commitment is not eligible for THDA funding. THDA will not purchase a loan if the loan was closed with a void Commitment.

## **FUNDING THDA LOANS**

### **Funding Method**

All THDA mortgage loans, including second mortgage loans for closing costs and down payment assistance, are funded by the OA. The loan closes with the OA's funds after all Prior-to-Closing conditions have been cleared by THDA. After the closed loan file is delivered to THDA within the delivery deadline schedule, including acceptable documentation and original mortgage notes are received, THDA may purchase the loan.

## **ADDITIONAL INFORMATION**

### **Scheduling Loan Closings**

Depending on volume, THDA attempts to review application files in the order received within five (5) business days following the date of receipt. Application files received later than those already on hand will not be underwritten out-of-turn due to a scheduled closing date or the personal circumstances of an Applicant or a seller. Applications received during the final 5 business days of the month should not be expected to close by end of month.

### **Change of Property**

If, at any time between application and closing, the Applicant wishes to purchase a different property, a new transaction is created. If property is substituted before the application file is submitted to THDA, be sure all references to the original property are omitted (including information on the 1003), and a correct sales contract, appraisal and all original THDA Declarations showing correct property address are enclosed. If the Applicant wishes to purchase a property different from that which is indicated in the Commitment, the Commitment is void and a new rate lock and application reflecting the correct property must be submitted to THDA.

### **Change in Employment**

If, at any time between commitment issued and closing, the Applicant is no longer employed at the employment listed on the 1003, as determined by the Verbal Verification of employment (VVOE), THDA must be notified immediately. The commitment is voided.

If the Applicant wishes to continue with the purchase of the property, a correct 1003, income documentation and new approval documents must be provided and a new commitment will be issued.

## **SECTION VII: CLOSING A THDA LOAN**

### **OVERVIEW**

All THDA approved loans must be closed in compliance with the Commitment and in compliance with the instructions contained in this Guide by a Settlement Agent who is an independent, third-party attorney or a title company. A federal or state regulated financial institution may act as their own Settlement Agent only with THDA's prior written approval, and in THDA's sole discretion. THDA will, however, rely on the Originating Agent to remedy problems concerning closed loan documentation.

Any closed loan subsequently determined to be ineligible due to the terms of the closing, closing documentation, failure to comply with insurer, guarantor or THDA closing conditions, early payment default, and/or any other closing related problem or error, is ineligible for THDA funding, without exception and the Originating Agent will be required to repurchase the loan, at THDA's discretion.

#### **Electronic Notes**

A copy of the executed Note for the first and second mortgage (if applicable) should be emailed to [closing@thda.org](mailto:closing@thda.org) or uploaded to the mortgage loan portal within 48 hours of loan closing.

#### **Expedite Loan Documents**

The Originating Agent must immediately submit the closed loan file for loan guaranty/insurance and upload servicing documents to THDA as soon as possible.

Failure to comply with delivery deadlines will result in the Originating Agent being required to repurchase the loan from THDA or THDA will refuse to purchase the loan. [See Section VIII](#) for THDA delivery deadlines.

### **LOAN COMMITMENT**

If the terms of the closed loan do not match the Commitment, or Commitment conditions are not satisfied, the Commitment is void. THDA may refuse to fund, may refuse to purchase or may demand repurchase by Originating Agent of closed first and second loans that do not conform to the Commitment. If any element of the transaction does not match the Commitment or if Commitment conditions are not satisfied, do not proceed with the closing. A revised Commitment must be issued prior to closing if any element of the proposed transaction does not match the Commitment. Contact THDA with any questions or to obtain a revised Commitment prior to closing.

### **REQUIRED LOAN DOCUMENTS**

#### **Loan Documents**

The most recent versions of the following instruments for the applicable loan type must be used, including any applicable riders. A non-purchasing spouse may sign the Deed of Trust:

1. FHA: Multistate FHA Note (Tennessee)  
Multistate FHA Deed of Trust (Tennessee)  
THDA Rider

## Legally Enforceable Obligation Letter (FHA only)

2. VA: FNMA/FHLMC Multistate Note (Tennessee)  
FNMA/FHLMC Multistate Deed of Trust (Tennessee)  
VA Rider  
THDA Rider
3. USDA/RD (FmHA):  
FNMA/FHLMC Multistate Note (Tennessee)  
FNMA/FHLMC Multistate Deed of Trust (Tennessee)  
THDA Rider  
USDA/RD loans must close with FNMA/FHLMC documents only.
4. Uninsured Conventional:  
FNMA/FHLMC Multistate Conventional Note (Tennessee)  
FNMA/FHLMC Multistate Deed of Trust (Tennessee)  
THDA Rider (not needed for GC97)
5. THDA Second Mortgage Loans  
Great Choice Plus/GC97 Plus Amortizing Subordinate Note (Payment)  
Great Choice Plus/GC97 Plus Deferred Subordinate Note (No Payment)  
Great Choice Plus/GC97 Plus Subordinate Deed of Trust

### Due Dates

The promissory note must specify a first payment due date as the first day of the second calendar month following the date of closing. All subsequent payments are due the first day of each month. Interest credits are not allowed on THDA loan closings. First and second mortgage loans should have the same first payment due date.

### Late Charges

Late charges are permitted only in compliance with the applicable program insurer's guidelines. If the charge exceeds the allowable rate, the note will be returned for correction and signature by Borrower(s).

Great Choice Plus secondary mortgage loan must reflect in the Deed of Trust and Note a late charge of 5% of the overdue payment of principal and interest if the monthly payment is not made by the end of 15 calendar days after the date it is due.

## OTHER REQUIRED DOCUMENTATION

### Title Insurance Policy

Use ALTA Loan Policy or ALTA Short Form Residential Loan Policy and include the following:

1. The insured amount must be equivalent to the amount of the first mortgage. THDA will not require a Lender's Title Policy on the Great Choice Plus second mortgage.
2. THDA must be a "named insured". Use the following language:  
*(Name of Originating Agent)*, and/or Tennessee Housing Development Agency, and/or *(Name of insuring or guaranteeing entity)*, as their interests may appear.

OR

*(Name of Originating Agent), its successors and assigns and/or (Name of insuring or guaranteeing entity), as their interests may appear.*

3. Taxes/assessments that are due and payable cannot be indicated as unpaid.

Endorsements to the Title Insurance Policy may be required as determined by THDA.

### **Warranty Deed**

The Warranty Deed must convey the property to the borrower(s) indicated on the Commitment.

### **Termite Inspection/Treatment Certificate**

Termite Inspections/Treatment Certificate provided as required by the insurer, guarantor or the appraiser.

### **Hazard Insurance**

Hazard insurance coverage must be issued in the name(s) of the titled property owner(s). The insurance company issuing the hazard insurance policy must be licensed by the State of Tennessee, and have a current financial rating by Best's Insurance Reports of class IV or better. The policy must insure against loss due to fire and other hazards covered by the standard extended coverage endorsement on a replacement cost basis. The Borrower may elect to include additional coverages, such as liability and earthquake insurance, and special policy riders.

The minimum acceptable amount of hazard insurance coverage is the appraised value less the site value, as provided in the appraisal, or an amount sufficient to replace the structure as determined by THDA.

The maximum allowable amount for deductible will be the maximum of 1% of the loan amount or \$2,500. The deductible clause may apply to either fire, extended coverage, or both.

Minimum initial term is one year.

THDA must be named as mortgagee in the original policy or in an endorsement. Use the following language:

Tennessee Housing Development Agency  
and its successors and/or assigns as their interests may appear  
502 Deaderick St., 3<sup>rd</sup> Floor  
Nashville, TN 37243  
Loan # \_ \_ \_ \_ \_

Coverage must be in force on or before the day of closing.

An original insurance policy or Certificate of Insurance is required. An insurance binder, a memorandum of insurance or a premium bill is not acceptable. The Originating Agent must submit the original policy or certificate to the THDA Servicer promptly after closing and a copy of the declarations page to THDA with the closed loan package. For loans in condominium developments, secure a Certificate of Insurance for the blanket hazard insurance policy that covers the development or building.

Policies are not acceptable if, under the terms of the carrier's charter, by-laws or policy, contributions or assessments may be made against the Borrower, THDA or THDA's designee; or if by the terms of the carrier's charter, by-laws or policy, loss payment is contingent upon action by the carrier's Board of Directors, policyholders or members; or the policy includes any limiting clauses (other than insurance conditions) which could prevent THDA or Borrower from collecting insurance proceeds.



## **Flood Insurance**

Flood insurance is mandatory for all loans with improvements located in Flood Zone A, without exception. A copy of FEMA Form 81-93 Standard Flood Hazard Determination must be included with the closed loan package when submitted to THDA. The Flood Certification MUST state it is for the life of loan. If part of the property is located in Flood Zone A but all of the improvements are outside Flood Zone A, flood insurance is not required, subject to the rules of the loan insurer or guarantor.

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 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 amount for deductible will be the maximum of 1% of the loan amount or \$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.

## **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.

## **Closing Disclosure**

The initial and final Closing Disclosure (CD) is required. The net amount (amount after allowable closing costs) of the second loan should be listed on the CD for the first loan. Any borrower’s debt paid at closing must be listed on the THDA commitment as well as the CD. Source used to pay off these debts must meet insurer’s or guarantor’s guidelines. THDA’s second mortgage funds cannot be used. All Originating Agents are expected to adhere to all timing guidelines as outlined in 12 CFR § 1026.19(f)(1)(ii) for Closing Disclosures.

## **Verbal Verification of Employment (VVOE)**

The verbal verification of employment (VVOE) utilized by lenders to confirm the borrower’s current employment status within 10 business days prior to the note date must be included in the closing package.

## **Name Affidavit**

Name affidavit must be provided for all borrowers.

## **Power of Attorney**

THDA follows the insurer/guarantor's guidelines in regards to a Power of Attorney (POA) in circumstances of hardship, emergency situations and for military service members. Therefore, THDA must verify and document that all requirements to utilize a POA have been satisfied.

THDA must review and approve the POA prior to closing. Please submit with the Underwriting package. POAs must be notarized and recorded. If the original POA is recorded prior to the Note Date, please deliver the original POA with the original Mortgage Note. Otherwise, a certified copy of the POA must be included in the closing package and the original POA delivered to THDA with the recording information within 30 days of closing.

## **OTHER REQUIREMENTS**

### **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 also close in the name of the Originating Agent noted on the Committed and are assigned to THDA.

### **Non- Purchasing Spouse**

A non-purchasing spouse may sign the Deed of Trust if names on the sales contract, title commitment, or required by the settlement company.

### **Rescission**

THDA cannot fund or purchase a loan that is closed with a Three-day Right of Rescission.

### **Net Funds "To Borrower"**

A borrower cannot receive any funds from the closing that exceed amounts that they paid in advance from their personal funds for earnest money, appraisal fees, credit report fees, and homebuyer education counseling. If a grant from an entity other than THDA is included in the transaction, coordinate this subject with the grant provider. Borrowers using Great Choice Plus assistance cannot receive any funds at closing from the assistance provided. There are circumstances that arise at the closing table that cause excessive cash back to the borrower. In these situations, THDA will allow a principal reduction to cure the issue.

### **Principal Reduction**

THDA discourages principal reductions (PR). However, we understand there are times they cannot be avoided. PR is limited to 1% of the loan amount not to exceed \$2500.

### **Original Certificate of Title or Original Manufactured Certificate (MCO) of Origin (Manufactured Home)**

If the seller of the subject property has a mortgage on the property and the lien holder is in possession of the original title or MCO and will not release it until their loan is paid off, the original Certificate of Title with any lien noted thereon having been marked released, or Manufactured Certificate of Origin ("MCO"), in the name of the seller of the subject property or having been endorsed to the seller MUST be provided to THDA with the closing documents. If the Manufactured Home consists of more than one (1) unit, you will need to provide the title or "MCO" for each unit. THDA will not purchase the loan until we receive the original certificate of Title or original MCO.

## **Affidavit of Affixation (Manufactured Home)**

An Affidavit of Affixation is required on all manufactured home loans. It is sent to the State of Tennessee and utilized when de-titling manufactured homes, therefore, the owner of record must sign the Affidavit. If de-titling is taking place prior to closing, the seller would execute the document. If de-titling is taking place after closing, being handled on behalf of the new borrower, it must be executed by the buyer and must be recorded as a separate document. It cannot be recorded with or attached to the Deed of Trust. State of Tennessee's Affidavit of Affixation

(RV-F1322101) is to be used unless the Settlement Agent uses an Affidavit of Affixation that meets the statutory requirement of TCA Section 55-3-138.

## **Warranty Deed**

A copy of the Warranty Deed (certified copy of recorded Warranty Deed if Manufactured Home) to the subject residence must be provided to THDA in the Closed Loan Submission package.

## **CLOSING COSTS**

### **Closing Costs and Fees a THDA Borrower May Pay**

1. The borrower may pay any and all reasonable and customary fees and costs normally charged in the market place. However, section A, page 2 of the loan estimate/closing disclosure cannot exceed \$1,400 for all Origination Charges. If THDA, in its sole discretion, determines that the borrower has been charged a fee that is exorbitant or not customarily charged in the market place, the Originating Agent will be required to refund these fees to the borrower. Closing Disclosure should not list any fees payable to THDA.
2. Origination Fee- No origination fee may be charged to the Borrower or seller by the lender

## **USE OF MERS SYSTEM – MERS ID#**

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.

Great Choice Plus second mortgage loans should also utilize the MERS system to assign loans to THDA. THDA Second Mortgage loans and GC97 loans do not need to have the THDA Rider recorded.

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

### **ORIGINATION AGENT OBLIGATIONS**

Originating Agents must conform to strict time tables when shipping a closed loan file to THDA. The THDA Closed Loan Transmittal lists the documents that must be provided to THDA with each closed loan file

In order to avoid potential problems in complying with THDA timeliness guidelines and the resulting fees for such, upon receipt of the closed loan file from the Settlement Agent, Originating Agents are strongly encouraged to:

1. Audit all documents for accuracy,
2. Immediately secure any necessary corrections,
3. Promptly submit required documents to THDA indicated on the Commitment to facilitate timely onboarding and notification to the Borrower in preparation for the first scheduled loan payment,
4. Submit all information and materials required to obtain insurance or guarantee, and
5. Comply with THDA delivery deadlines.

If purchase is after first payment due date, provide evidence of payment history. See Form HO-0444 Request for Loan Purchase with Acknowledgement and Certification.

### **DOCUMENT CAPTION**

Documents or files delivered to THDA must be clearly identified with the Originating Agent's name, the primary Borrower's name, the THDA loan number, and the name and telephone number of the Originating Agent's contact person. When shipping follow-up documents after the initial closed loan file has been delivered, Originating Agents must properly identify all documents being delivered. More than one loan file may be delivered in each envelope; however, documents for each loan file must be clearly identified.

### **SHIPPING ADDRESS**

All THDA documents should be submitted through THDA's online portal, with the exception of the mortgage note. When delivering mortgage note, specify "SFLO, Closing Department". Documents delivered without "SFLO" included in the address may be misdirected or lost.

THDA  
Attn: SFLO Closing Dept.  
502 Deaderick St, Third Floor  
Nashville, TN 37243

### **DELIVERY DEADLINES**

Delivery of all THDA closed loan files must conform to the following deadlines:

## 1. 10 Day Deadline

For all THDA loans, THDA must receive the THDA Closed Loan Transmittal, the original Notes, per diem interest (if applicable), and all other required initial submission documentation regardless of type or source of funding, within ten (10) calendar days following closing. Delays in receiving the closed loan package will delay purchase of the loan and may be subject to non-purchase by THDA if documentation is received after the first payment due date.

## 2. 120 Day Deadline

THDA must be in receipt of all necessary documentation, including the recorded Deed of Trust, Assignment for the first and second mortgage loans (N/A if MERS documents submitted), Title Insurance Policy, final inspections and insuring or guarantee certificate within 120 days of closing, on all THDA loans.

THDA may grant one extension, for a period not to exceed thirty (30) calendar days, to the delivery deadline to allow for additional efforts to resolve the problems. THDA may consider additional extensions. Any additional extensions must be approved by THDA, in THDA's sole discretion.

THDA may decide to complete a file without all final corrections being received. In those cases, the Originating Agent would receive notification from THDA of the correction(s) to be made and the Originating Agent will be responsible for completion of the file.

## **FAILURE TO MEET DELIVERY DEADLINES**

Any loan closing file remaining incomplete on the 151<sup>st</sup> day following closing will result in THDA issuing a demand for repurchase, along with repurchase instructions and deadline, without any further notice to the Originating Agent.

If the loan has not yet been purchased by THDA, it will immediately become ineligible for purchase on the 100<sup>th</sup> day following closing. Loans declared ineligible for purchase by THDA, including Great Choice Plus loans and/or loans repurchased from THDA, are not eligible for subsequent purchase by THDA.

Originating Agents who consistently fail to meet delivery deadlines will be suspended from new loan originating until such time that the delinquent loan closings are completed.

## **REQUIRED DOCUMENTS FOR A COMPLETE CLOSED LOAN FILE**

### **Closed Loan Submission Checklist**

A completed THDA Closed Loan Submission Checklist must be used as the cover sheet when submitting closed loan files to THDA.

### **Request for Loan Purchase with Acknowledgement and Certification**

Execute this form and enclose in the order indicated on the Closed Loan Submission form.

Loans closed 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, FHA Loans Only  
VVOE

### **Commitment**

Enclose a copy of the Commitment.

### **Original Note**

Deliver the original Note(s), endorsed to THDA by an authorized Originating Agent staff member. THDA will not fund the purchase of the loan until the original note is received.

### **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.

### **Affidavit of Affixation (Manufactured Home)**

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

### **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.

### **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.

### **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.

### **Closing Disclosure**

The Closed Loan Submission Package must include the Closing Disclosure (CD). The CD must be included for Great Choice Plus second mortgage loans.

## Great Choice Loan Allowable Fees

### I. Great Choice Loan:

THDA allows the Originating Agent to charge normal and customary fees, including without limitations, appropriate application fee. If the Originating Agent elects to charge an Application Fee, it must be included on the CD. However, Section A, page 2 of the loan estimate/closing disclosure cannot exceed \$1,400 for all Origination Charges. THDA does not allow origination points to be charged to the buyer or seller. All Originating Agents are expected to adhere to all timing guidelines as outlined in 12 CFR § 1026.19(f)(1)(ii) for Closing Disclosures

### II. Great Choice Plus Loan:

THDA allows customary recording fees, odd days/prepaid interest, mortgage transfer fee and a loan settlement fee of up to \$200. THDA does not allow Lender title policy on the Great Choice Plus loan. All Originating Agents are expected to adhere to all timing guidelines as outlined in 12 CFR § 1026.19(f)(1)(ii) for Closing Disclosures. The Great Choice Plus Loan-Deferred option does meet 12 CFR § 1026.3 for partial exemption as long as a settlement fee is not charged.

## **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.

## **Termite Inspection/Treatment Certificate (when applicable)**

Termite Inspections/Treatment Certificate provided as required by the insurer, guarantor or the appraiser.

## **Flood Insurance (when applicable)**

[See Section VII](#)

## **Commitment Conditions**

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

## **MIC/LGC; USDA/RD 3555-17, or As Applicable**

1. The MIC must be ordered immediately after closing and provided to THDA within 30 days of closing. FHA connections should reflect insured and holder as THDA.
2. The LGC must be ordered immediately after closing. THDA must receive a copy of the LGC within 45 days following closing.
3. For USDA/RD loans, enclose the Loan Note Guaranty 3555-17 within 45 days of closing.

Also enclose a copy of RD Form 3555-11, Lender Record Change. The original 3555-11 must be submitted to Rural Development. In the appropriate space, indicate THDA's USDA/RD ID number: 6206001445.

## **Final Loan Application and 92900A (URLA)**

The final URLA executed by the borrower(s) and loan officer must be included in the Closed Loan Submission Package. All pages of the 92900A should be executed by the borrower(s) and lender.

## **LOAN REPURCHASE**

### **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 (3555-11, 3555-17 or 3555-18) 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.

An Originating Agent who fails to repurchase loans upon demand may be suspended from submitting new loan applications to THDA, and THDA may pursue other remedies as specified in the Working Agreement.

### **Repurchase Price**

The amount necessary to repurchase a loan is:

1. The sum of the outstanding principal and interest on the Great Choice loan and the Great Choice Plus loan, if applicable.
2. Monthly escrow adjustment.
3. Service release premium, if applicable.

### **Repurchase Procedure**

In the event THDA demands repurchase of a loan, the following procedures all apply:

1. The THDA Servicer will provide instructions for obtaining the repurchase price by a certain deadline.
2. The Originating Agent must prepare an Assignment from THDA to the Originating Agent and submit it to the THDA Servicer, who will forward the Assignment to THDA for execution.



3. The Originating Agent must wire the required repurchase price to the THDA Servicer according to instructions provided by the THDA Servicer.
4. Upon receipt of the repurchase price, THDA will sign and notarize the Assignment and return it to the Originating Agent with the loan file.
5. After repurchase, THDA will reimburse Originating Agent for all principal and interest received by THDA after the repurchase date.

Loans declared ineligible for purchase by THDA, and loans repurchased from THDA, are not eligible for subsequent purchase by THDA.

## **SERVICING PROCEDURES**

All loans shall be sold servicing-released to THDA dba Volunteer Mortgage Loan Servicing (VMLS). VMLS servicing effective date is the THDA purchase date.

### **Service Release Premium**

THDA will pay a Service Release Premium (SRP) in an amount equal to 1% of the loan amount. Closed loan packages must be received and purchased prior to the first payment due date and meet the delivery deadline described in Section 8.2 of the O. A. Guide. THDA will withhold the SRP amount from the purchase price of the loan. THDA will pay the SRP for a loan once all documents as described in section 7 of the O. A. Guide are received from the lender for that loan. The THDA prepared SRP report will be emailed to the lender each week to the most recent email address THDA has in its files for each lender. THDA will wire the SRP each week to the lender using the most recent wiring instructions THDA has in its files for each lender. It is the lender's obligation to ensure that email addresses and wiring instructions are accurate and up to date.

### **Tax Service Fee**

A \$75 tax service fee must be charged on all loans. It can be paid by the borrower or lender and must be reflected accurately on the Loan Estimate and Closing Disclosure. THDA deducts this amount from the SRP and remits the tax service fee to CoreLogic.

### **Changing Fees/Compensation**

Compensation and fees may be changed or eliminated at the discretion of THDA.

### **Tax and Insurance Escrow**

The initial Escrow Account Disclosure statement must be completed accurately to be sure sufficient funds are collected at closing. The initial escrow funds will be deducted from the purchase of the loan.

### **Volunteer Mortgage Loan Servicing Directory**

#### **VMLS Customer Service**

Monday-Friday, 8am-5pm CST  
844-865-7378

#### **Email Address:**

[custserv@volservicing.com](mailto:custserv@volservicing.com)

#### **Payment Address:**

Volunteer Mortgage Loan Servicing  
PO Box 305170  
Nashville, TN 37230-5170

**Physical Address:**

Volunteer Mortgage Loan Servicing  
404 James Robertson Pkwy, Suite 1450  
Nashville, TN 37219-1536

**Primary Escalation Contacts for VMLS:**

Trebia Johns, Director of Mortgage Loan Servicing  
(615)649-3424  
[tjohns@volservicing.com](mailto:tjohns@volservicing.com)

Heather Johnson, Sr. Loan Servicing Advisor  
(615)649-3420  
[hjohnson@volservicing.com](mailto:hjohnson@volservicing.com)

**Payments Received After Purchase**

In the event the Originating Agent receives a mortgage payment **AFTER** THDA purchases the loan, the payment is to be sent to VMLS immediately.

1. Email [payments@volservicing.com](mailto:payments@volservicing.com) indicating the amount received, the date received, and method for transferring the payment in full to VMLS.
2. Payment can be mailed to the VMLS Physical Address:  
Volunteer Mortgage Loan Servicing  
404 James Robertson Pkwy, Ste 1450  
Nashville, TN 37219-1536
3. Or, payment can be wired with a confirmation email sent to [payments@volservicing.com](mailto:payments@volservicing.com).

**Payments Received Prior to Purchase**

If a payment is received **PRIOR** to THDA Purchase, the Originating Agent is to notify VMLS immediately but retain the payment until THDA purchases the loan.

Email [payments@volservicing.com](mailto:payments@volservicing.com) indicating the amount received and the date received.

**Service Transfer After First Payment Due Date**

In the event the first payment becomes due prior to THDA purchasing the loan, the Originating Agent is responsible for all servicing activities up to the THDA Purchase date and subsequent Service Transfer Effective Date.

1. Collect timely payment from the borrower(s); proof of current due date will be required prior to THDA Purchase
2. Disburse timely PMI/MIP payments to loan Insurer or Guarantor
3. Disburse additional Hazard Insurance, Flood Insurance, or Tax payments that come due prior to the THDA Purchase date
4. Complete required Insurer or Guarantor monthly reporting, if applicable
5. Send a new Goodbye Letter meeting all RESPA requirements and coordinate the Service Transfer effective date with VMLS
6. Immediately following the effective Service Transfer date, Originating Agent is to send the following to VMLS

- a. Loan History indicating due date, payments received, principal curtailments, suspense balance, escrow disbursements, and escrow balance at transfer
- b. All payments collected; disbursed escrow may be netted from funds transferred to VMLS
- c. Copy of notices sent to borrower(s) including Goodbye Letter
- d. Complete MERS TOB/TOS, if loan is active in MERS

## SECTION IX: 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 Declaration HO-0450 \(09.21\)](#)

[Veteran Exemption Application Declaration HO-0460 \(09.21\)](#)

[Notice to Applicants Federal Recapture Requirements HO-0448 \(05.21\)](#)

[Seller Declaration HO-0451 \(09.21\)](#)

[Underwriting Submission Checklist HO-0549 \(09.21\)](#)

[Affidavit of Affixation RV-F1322101](#)

Legally Enforceable Obligation Letter HO-0476

[Closed Loan Submission Checklist HO-0541 \(09.21\)](#)

[THDA Rider HO-0440 \(08.03\)](#)

[Request for Loan Purchase with Acknowledgement and Certification HO-0444 \(08.20\)](#)

Great Choice Plus/GC97 Plus Amortizing Subordinate Note (Payment)

Great Choice Plus/GC97 Plus Deferred Subordinate Note (No Payment)

Great Choice Plus/GC97 Plus Subordinate Deed of Trust

### **APPLICATION DECLARATION HO-0450**

### **VETERAN EXEMPTION APPLICATION DECLARATION HO-0460 (If Applicable)**

The Application Declaration or Veteran Exemption Application Declaration (if applicable) must be executed by each applicant and non-qualifying spouse. The MRB 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.

## **NOTICE TO APPLICANTS FEDERAL RECAPTURE REQUIREMENTS HO-0448**

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 DECLARATION HO-0451**

The seller of the property must complete a Seller Declaration for each application file submitted to THDA. The Seller Declaration 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 Declaration. Enclose the Seller Declaration in the application file when submitting for THDA underwriting. In the absence of the Declaration at the time of loan approval, a prior to closing contingency will be THDA receipt of the original.

## **UNDERWRITING SUBMISSION CHECKLIST HO-0549**

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 three main sections:

1. General Information.
2. THDA Program Eligibility and Loan Disclosure Documents.
3. Great Choice Plus Loans/Down payment/Closing Cost Assistance. Must be documented as indicated, if applicable.
4. Credit Package. Must include documentation, as indicated.

Originating Agent Information: Provide complete information

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.

### 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 RV-F1322101**

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**

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**

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**

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. THDA Rider is not applicable for any THDA second mortgage loans or GC97 mortgage loans.

#### **REQUEST FOR LOAN PURCHASE WITH ACKNOWLEDGEMENT AND CERTIFICATION HO-0444**

All loans closed must be accompanied by an executed Request For Loan Purchase with Acknowledgement and Certification when delivered to THDA. The most recent version of the HO-0444 form must be utilized. 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.

*THDA provides a Request for Loan Purchase with the Loan Commitment. Utilizing this version of the form limits the amount of data and errors. 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.*

#### **GREAT CHOICE PLUS/GC97 PLUS AMORTIZING SUBORDINATE NOTE (PAYMENT)**

All loans that include a THDA subordinate DPA in the amount of 6% of the sales price, interest rate the same as the first mortgage, 15 year term and a monthly payment used for qualification purposes, must use this note at loan closing.

#### **GREAT CHOICE PLUS/GC97 PLUS DEFERRED SUBORDINATE NOTE (NO PAYMENT)**

All loans that include a THDA subordinate DPA in the amount of \$6,000, 0% interest rate, deferred payment and forgiven at the end of the 30 year term, must use the note at closing.

#### **GREAT CHOICE PLUS/GC97 PLUS SUBORDINATE DEED OF TRUST**

All loans that include a THDA subordinate DPA must use the Deed of Trust at closing

## SECTION X: GC97 CONVENTIONAL PROGRAM

### OVERVIEW

This section of the guide is specific to insured conventional Freddie Mac mortgage loans unless otherwise noted.

#### **GC97 & GC97 Plus Freddie Mac Advantage**

This MBS loan offers a choice for down payment and closing cost assistance, one offering has deferred payments and the other has a low interest rate with monthly payments. Both are secured by a second deed of trust. This loan is available only with the GC97 first mortgage loan. The GC97 Plus loan-payment is at an interest rate the same as the first mortgage, monthly payments amortized over a 15 year term, and 6% of the sales price. The GC97 Plus Loan-deferred (no payment) is \$6,000 at a 0% interest rate, 30 year term, and must be repaid if the home is refinanced or sold.

<b>Loan Product Advisor</b>	HFA Advantage through Loan Product Advisor (LPA) LPA with "Accept" recommendation is required. LPA A Minus Offering is not allowed. Manual Underwriting is not allowed.
<b>Maximum Income</b>	Varies by County 80% Area Median Income (AMI) See <a href="#">Freddie Mac Limits for Home Possible</a>
<b>Maximum Household Acquisition</b>	Varies by County
<b>Loan Term</b>	30 year fixed on first mortgage
<b>Debt-to-Income Ratio</b>	Maximum 45%
<b>Credit Score</b>	Minimum credit score of 660 is required for all borrowers
<b>Manual Underwriting</b>	Not permitted
<b>Maximum LTV/CLTV</b>	Per Freddie Mac guidelines 97%/105%
<b>Eligible Properties</b>	Per Freddie Mac HFA Advantage allows Single-family, one unit primary residence, condos, PUDS are acceptable. Manufactured homes are not eligible.
<b>Mortgage Insurance</b>	Per Freddie Mac guidelines
<b>Buy downs</b>	Not permitted
<b>Assumable</b>	Not permitted
<b>Escrow Waivers</b>	Not permitted
<b>Subject to Recapture</b>	No
<b>Minimum Investment</b>	No minimum borrower investment is required by THDA, unless required by Freddie Mac.
<b>Occupancy Requirement</b>	Owner-occupied properties only
<b>Homebuyer Education</b>	Required
<b>Origination Fee</b>	Not permitted
<b>Down Payment Assistance</b>	GC-97 Plus.

## **ELIGIBLE BORROWER**

First-time homebuyers and/or Repeat homebuyers are eligible.

### **Occupancy**

Per Freddie Mac LPA guidelines: All borrowers must occupy the mortgaged premises as their primary residence. Non-occupant co-signers/co-mortgagors are not permitted.

### **Divorce**

If applicable, final divorce must be final for 30 days prior to closing.

### **Ownership Interest**

Borrower may not currently have an active THDA/VMLS loan.

## **PURCHASE PRICE LIMIT**

GC97 follows the same Purchase Price Limits as Great Choice. [Section II](#).

## **QUALIFYING INCOME LIMIT**

The income limit for GC97 and GC97 Plus is based upon the income of the qualifying borrower(s) only. Qualifying income inclusions/exclusions per [Freddie Mac guidelines](#). Qualifying income is a maximum of 80% AMI.

## **FIRST MORTGAGE LOAN TERMS AND GUIDELINES**

### **Loan Types/Investor Feature Identifiers (IFIs)**

- Freddie Mac HFA Advantage Mortgage Loans only.
- HFA Advantage should be selected in LPA drop down.
- IFI 251 Home Possible Advantage for HFAs should be identified in Loan Selling Advisor.

### **Maximum LTV/CLTV**

- First loan mortgage amounts are subject to THDA purchase price limits.
- Maximum Freddie Mac HFA Advantage: 97%/105% for one-unit properties.

### **Transaction Type**

- Purchase transactions only.
- Refinance loans are not permitted.
- Construction loan permanent financing allowed.

### **Mortgage Loan Rates and Reservations**

Mortgage loan rates and prices will be posted on the THDA website daily between 9:00 AM and 5:30 PM CST on Monday through Friday. These rates and prices are subject to change on a daily or intra-day basis. Lenders reserve loans through THDA Online Reservation system (THELMA).

### **Rate Locks and Extension Fee**

Loans reserved through the THELMA system will have a rate lock to the lender of 60 calendar days.

**The mortgage loan must be closed and all closing documentation must be delivered to THDA by the 60<sup>th</sup> calendar day.** Any loan cancelled during the rate lock period may not be

reserved again for 60 days from the original reservation expiration date or cancellation date for the same borrower purchasing the same property. Pricing for loans re-reserved will result in

pricing of original rate lock or new rate lock, whichever is higher. Read further in Section X for more related information.

## **UNDERWRITING**

### **Freddie Mac HFA Advantage**

Follow Freddie Mac HFA Advantage guidelines found on their [website](#), with the following exceptions:

- Maximum DTI: 45% with Accept from LPA
- Minimum credit score: 660
- Purchase only
- No temporary buy downs
- Acreage limit 5.0 acres
- If primary employment is salary or hourly, the base pay rate for qualification purposes cannot exceed the amount reflected on the most recent pay stub.

#### **Please note the following:**

- LPA feedback should be transferred to THDA at time of loan submission S/SN 210980
- Appraisal must be shared with THDA in the Uniform Collateral Data Portal (UCDP) aggregator ID# GVT276
- Freddie Mac does not allow non-occupying co-borrowers/signers/ mortgagors.
- HFA Advantage must be the Offering Identifier.
- Under General Messages on LPA feedback you should receive a message indicating the loan has been correctly run thru LPA as an HFA loan. A message will also be displayed to determine if the transaction is a Very Low Income Purchase (VLIP) or Low Income Purchase (LIP)
- Loan Prospector Document checklist should be uploaded to THDA with the LPA Feedback results.

### **Freddie Mac Resources**

1-800-Freddie (800-373-3343)

- Freddie Mac approved Seller Servicer , please press 1
- For underwriting guideline support, please press 1
- For affordable lending, HFA Advantage, please press 1
- Enter your six-digit Seller Servicer number or seven-digit third party originator number, followed by pound sign.

### **Required Mortgage Insurance Coverage**

- 18% charter coverage for 95.01-97% LTV Loans
- 16% charter coverage for 90.01-95% LTV Loans
- 12% charter coverage for 85.01-90% LTV Loans
- 6% charter coverage for 80.01-85% LTV Loans

### **Private Mortgage Insurance (PMI)**

- Insurers must be acceptable to Freddie Mac



- Lender is responsible for activating any PMI policy and remitting any PMI payments due to the mortgage insurer prior to the sale of the loan to THDA. Lender is also responsible for transferring the PMI policy to THDA after the loan sale
- PMI rates, pricing and guidelines may differ among the participating mortgage insurers and are subject to change. Lenders should consult the current PMI guidelines at each company to determine the terms and conditions by which such loans will be insured.
- THDA program guidelines do not supersede, nor are they a substitute for, the guidelines in place with each mortgage insurer at the time the loan is underwritten.

#### **Discount Points**

- Not permitted.

#### **Assumable**

- Not permitted.

#### **Escrow Waivers**

- Not permitted.

#### **Acreage**

- Not to exceed 5.0 acres.

### **DOWN PAYMENT ASSISTANCE (GC97 PLUS)**

THDA will be offering two second mortgage loan program options available across the entire state, regardless of the sales price, as long as it meets THDA's acquisition limits.

Great Choice Plus-Deferred/GC97 Plus -Deferred (no payment) terms:

- Loan Amount is equal to \$6,000
- 0% interest rate
- 30 year term, due on sale or refinance
- Deferred payments, therefore no payment for qualifying purposes
- Second mortgage loan will be locked simultaneously with the first mortgage, key words in program description for a successful lock "No Payment".
- Max 105% CLTV
- An Affordable Second that does not require a payment can be entered in the "Total Gift Fund" field in LPA.

Great Choice Plus-Payment and GC97 Plus-Payment terms:

- Loan Amount is 6% of the sales price
- 15 year amortizing
- Interest rate is the same as the first mortgage
- Monthly payment must be considered in the debt ratio
- Second mortgage loan will be locked simultaneously with the first mortgage, key word in program description for a successful lock "Payment".
- Max 105% CLTV

- This is considered an affordable second in LPA, when entering subordinate lien “Yes” should be selected for Affordable Second and monthly payment should be entered.

Late fee is 5% of the overdue payment after the 15th calendar day.

### **Lender Advance**

Lenders will advance the second loan at the loan closing for the benefit of the borrower, which will be reimbursed based upon the purchase of the mortgage loan by THDA.

### **Compliance Issues**

The second loan is evidenced by a second mortgage note and secured by a subordinate deed of trust. See TRID section below for disclosure procedures and documentation.

### **Limitations on Down Payment Assistance**

At closing, an Eligible Borrower may not receive cash back except for the following reason, reimbursement of fees and/or expenses paid outside of closing, including but not limited to earnest money deposit, appraisal fees, home inspection fees, credit report and homebuyer education expenses charges.

The eligible borrower may be reimbursed up to the amount of overpayment with documented expenditures. In the event of remaining funds after the eligible borrower has been reimbursed for appropriate requested amounts, the borrower shall not receive the additional funds. However, surplus funds may be applied as a principal curtailment on the first mortgage and be documented on the closing disclosure.

## **TRID**

### **Loan Estimate**

All assisted loans will require a Loan Estimate (LE). Lenders can generate one from their LOS system that contains the appropriate terms. Only recording fee, odd days/prepaid interest, mortgage tax fee, and a loan settlement fee of up to \$200 may be listed. ). All Originating Agents are expected to adhere to all timing guidelines as outline in 12 CFR § 1026.19(e)(1)(iii)(A) for the Loan Estimate.

### **Closing Disclosure**

Lenders are required to provide a Closing Disclosure at closing listing only the recording fee, odd days/prepaid interest, and mortgage tax fee for the second mortgage for all loans reserved. Any fees in addition to the recording fee, odd days/prepaid interest, and mortgage tax fee listed on the second mortgage CD will be required to be refunded to the borrower prior to purchase approval. Any excessive recording fees charged will require a detailed explanation. Any fees not proven to be for recording will require a refund to the borrower prior to purchase approval. All Originating Agents are expected to adhere to all timing guidelines as outlined in 12 CFR § 1026.19(f)(1)(ii) for Closing Disclosures.

## **HOMEBUYER EDUCATION**

A pre-purchase certificate from a THDA approved agency or HUD-approved counseling agency issued within the previous 12 months. Each person on the loan is required to obtain homebuyer education, even non-first time homebuyers. Required to be completed prior to commitment approval. See Section V, [Homebuyer Education](#), for additional information.

## **LENDER PROCESS**

### **Application and Reservation**

Lender determines borrower eligibility per Freddie Mac and THDA guidelines, credit score minimum, debt-to-income, income limits and purchase price limits. Lender reserves the loan through THDA's online lender portal THELMA. When loan is reserved the rate is locked. Lender processes the loan, gathers documentation, obtains the appraisal and lender issues approval on file.

If incorrect program type has been selected, loan must be withdrawn and resubmitted under correct program type. If submission is in error, loan will be locked at current secondary rate. Subject to THDA review of original disclosures.

Lender is responsible for uploading the appraisal into Uniform Collateral Data Portal (UCDP). LPA feedback certificate should contain Home Value Explore (HVE) results. Lender is responsible for assigning the final LPA to THDA upon loan submission to THDA.

### **Commitment Compliance Package**

Within 25 calendar days from the loan reservation date, the lender should upload the loan package to THDA through the lender portal THELMA per the GC97 Underwriting Submission Checklist. Please submit all documents on checklist in proper stacking order and indicate the LPA results have been transferred to THDA.

THDA will either approve the compliance package, issue prior to closing conditions, or decline the file. If conditions are issued, please submit immediately to expedite the approval. Once the underwriting compliance package is approved, THDA will email the commitment to the processor submitting the file and it is also available for review/download in the THELMA system. The lender is authorized to proceed with the loan closing once approval commitment has been issued. Commitment will expire on lock expiration date.

### **Purchase Compliance Package**

Lenders must submit a closed loan package to THDA after closing and prior to the loan being eligible for purchase by THDA, per the [GC97 Closed Loan Submission Checklist](#). Included on the checklist is [Form SSA-89](#), Authorization to Release SSN, which must be signed by the borrower at closing. Once the closed loan package is approved by THDA, and the original note received, THDA may purchase the mortgage loan.

## **COMPENSATION AND FEES**

### **Lender Compensation**

Lenders are not permitted to charge borrower or seller origination or discount fees, however a rate lock extension fee can be charge to the borrower.

Compensation of 1.75% will be paid at the time of purchase on all first Mortgage Loans that are closed and delivered in purchasable condition within the 60 day lock period. Loans over 60 days are subject to applicable extension fees.

Lender may receive a Service Release Premium (SRP) equal to 1.0% of the first mortgage loan amount paid by THDA at the time of loan completion. Delivery deadline must be met. See section VIII, [Service Release Premium](#).

## **Allowable Fees**

Reasonable and customary fees not to exceed \$1400, and closing costs may be charged as long as such compensation payments are fully disclosed to the borrower in accordance with federal, state and local laws and regulations.

## **Non Delivery Fee**

If an extension is elected, but the related Mortgage Loan is not sold to THDA, the Lender may be billed for the extension fee.

## **CLOSING/DELIVERY INFORMATION**

### **Uniform Closing Dataset (UCD)**

THDA requires a Freddie Mac UCD Findings Report in every conventional loan file. The report must reflect “successful result” with transfer to THDA, an embedded CD, and no Fatal Error Edit warnings.

### **Delivery of Mortgage Loans**

Mortgage Loans must be delivered and ready for purchase within 60 calendar days of the loan reservation/rate lock date. Failure to comply with the 60 day delivery deadline will be subject to a 0.25% extension fee for 30 days beyond the original 60 days. Extension Fee will be netted from the Loan Purchase compensation when the Mortgage Loan is purchased from the Lender.

Loans that are not purchased at 100 days after closing are subject to cancellation or a price adjustment.

All closing packages should be uploaded into the THELMA portal, original notes must be sent to the following address:

THDA  
Attn: Single Family Loan Operations  
502 Deaderick St., Third Floor  
Nashville, TN 37243

### **Loan Quality Advisor**

All loans must be evaluated using Freddie Mac’s Loan Quality Advisor (LQA). LQA uses the ULDD file format the THDA requires for loan delivery. It provides a Loan Evaluation Summary which includes loan-level information and results. This summary should be submitted THDA in the closed loan package. The only critical edit acceptable is for the HFA Advantage Loan Offering. THDA will clear this edit.

### **Uniform Loan Delivery Dataset (ULDD)**

THDA requires lenders to deliver final ULDD data points required for HFA Advantage mortgage in accordance with Freddie Mac Guide Sections 6302.14 & 6302.34.

In addition, lender must ensure the following program specific ULDD data points are included, as applicable:

<b>ULDD Data Point</b>	<b>Valid Value</b>
Loan Program Identifier	HFA Advantage or Home Possible Advantage for HFAs
Loan Manual underwriting Indicator	False
Loan Affordable Indicator in “Product Information” Section	True
Automated Underwriting Recommendation Description	Accept
Investor Feature Identifier VLIP AMI < 50% LIP AMI < 80%	H56 H55
Lien Priority Type in “Secondary Financing/Related Loan Information” Section	Second Lien
Loan Affordable Indicator Located in “Secondary Financing / Related Loan Information” Section	True
HELOC Indicator in “Secondary Financing/Related Loan Information” Section	False
Combined LTV Ratio Percent in “Additional LTV Details” Section	Must combine all mortgages

### **Original Mortgage Note**

Deliver the original Note(s), endorsed to THDA by an authorized Originating Agent staff member. THDA will not fund the purchase of the loan until the original note is received.

### **Non Delivery Fee**

If the Lender elects an extension fee of .25% for a 30-day extension for a Mortgage Loan, such extension fee may be due whether or not a Mortgage Loan is ultimately delivered and/or purchased by THDA. Any Lender with total outstanding extension fees of \$5,000 may be ineligible to participate in the Program until the unpaid balance of extension fees is paid in full.

### **Final Document Delivery**

Final document delivery information and checklist are posted on [www.thda.org](http://www.thda.org). Late delivery more than 120 days from closing may result in 0% SRP payment.

## **SERVICING**

THDA will provide (at no cost to the borrower) Early Delinquency Counseling to all borrowers who experience problems meeting their mortgage obligations, as outlined in Freddie Mac’s Servicing Guide Sections 9101.2 and 9102.4. HUD approved housing counseling agencies can be found at <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?&webListAction=search&searchstate=TN>.

For additional servicing information, [See Section VIII](#).