

**ORIGINATING AGENTS GUIDE
REVISION 103**

July 31, 2015

Remove and discard:

Replace with enclosed:

Page ii (January 2014).....	Page ii (Revised 08/01/15)
Page iii (January 2014).....	Page iii (Revised 08/01/15)
Page v (Revised 10/01/14).....	Page v (Revised 08/01/15)
Page 2 (Revised 04/07/15).....	Page 2 (Revised 08/01/15)
Page 5 (Revised 06/08/15).....	Page 5 (Revised 08/01/15)
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Underwriting Submission Checklist

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

Great Choice Plus Second Promissory Note

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

EFFECT OF CHANGE

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



Originating Agents Guide

JANUARY 2014

Latest Revision: 08/01/15

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

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C. THDA Veterans Homeownership for the Brave Loan Program

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

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

SECTION 5: PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS

5.1 OVERVIEW

A. Disclosures

1. Great Choice

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

2. Great Choice Plus

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

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

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

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

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

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

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

C. Homebuyer Education

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

1. Face-to-Face

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

2. Online Education

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

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

D. Age of Credit Documents

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

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

E. Qualifying Spouse

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

F. Non-Qualifying Spouse

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

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

G. Co-Signers

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

5.2 ASSETS

A. Substantial Liquid Assets

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

B. Sale of Assets

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

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

C. Gift Letter

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

5.3 VERIFICATIONS

A. Employment Verifications

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

SECTION 6: SUBMITTING AN APPLICATION FILE TO THDA

6.1 OVERVIEW

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

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

6.2 REQUIRED DOCUMENTS

A. Underwriting Submission Checklist

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

B. Buyer Profile

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

C. Application Affidavit

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

D. Veteran Exemption Application Affidavit

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

E. Seller Affidavit

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

F. Application for Assistance

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

G. Tax Returns

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

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

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

H. Notice To Applicants Federal Recapture Requirements

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

I. Grants/Downpayment Assistance Approval Letters

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

J. Transmittal Summary (Conventional and USDA/RD)

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

K. Insurance/Guaranty Approval

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

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

L. Loan Application (1003)

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

M. Positive Identification

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

N. Credit Report

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

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

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

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

See Sections 5.3 and 5.4.

Q. Documentation for Veteran Exemption

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

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

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

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

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

See Sections 5.3.

T. Sales Contract

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

U. FHA Conditional Commitment

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

V. Appraisal

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

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

W. Flood Notification

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

X. Good Faith Estimate

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

6.3 DOCUMENTING NEW CONSTRUCTION FOR CUSTOM BUILT HOMES

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

A. Documentation Required

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

B. Manufactured Housing

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

SECTION 9: THDA FORMS AND INSTRUCTIONS

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

THDA forms may not be altered.

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

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

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

APPLICATION AFFIDAVIT HO-0450 (03/11)

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

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

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

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

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

SELLER AFFIDAVIT HO-0451 (09/99)

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

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

APPLICATION FOR ASSISTANCE HO-0573 (10/14)

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

BUYER PROFILE HO-0439 (02/15)

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

UNDERWRITING SUBMISSION CHECKLIST HO-0549 (08/15)

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

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

The checklist has five main sections:

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

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