

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE
REVISION 114**

September 23, 2016

Remove and discard:

Replace with enclosed:

Page 4 (Revised 09/22/2015)	Page 4 (Revised 10/03/2016)
Page 23 (Revised 10/01/2014)	Page 23 (Revised 10/03/2016)
Great Choice Plus Application for Assistance <i>Form HO-0573 (09.15)</i>	<i>Form HO-0573 (10.16)</i>
Disclosure of Loan Terms for Great Choice Plus <i>Form HO-0574 (10.15)</i>	<i>Form HO-0574 (10.16)</i>
Second Promissory Note-Great Choice Plus <i>Form HO-0503 (12.15)</i>	<i>Form HO-0503 (10.16)</i>

EFFECT OF CHANGE

Effective with loan applications dated October 3, 2016, on all loan submissions requiring down payment assistance, the forgiveness term of the Great Choice Plus second mortgage loan will be 30 years. The loan will remain a 0% interest, deferred second mortgage loan. Repayment is required if the borrower sells or refinances the home before the end of the term.

Effective with loan applications dated October 3, 2016, the maximum down payment available in the Great Choice Plus second mortgage loan will change from up to 4% of the sales price to up to 5% of the sales price.

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

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

Eligible Borrower	Homebuyer obtaining THDA Great Choice Loan
Maximum Household Income	THDA Great Choice Program Limits apply
Maximum Loan Amount	Up to 5% of Purchase Price
Interest Rate	0%
Loan Term	30 year deferred, forgivable
Underwriting Criteria	Borrowers must have 640 minimum credit score. Must meet all other THDA Underwriting Guidelines. Manual underwriting allowed per THDA guide.
Pre-Payment	The Great Choice Plus loan is due in full upon 1 st mortgage payoff, assumption, or refinance. The loan is forgiven at the end of the term of the Great Choice first mortgage. No pre-payment penalty. No assumption of Great Choice Plus allowed, with the exception of a VA assumption.
Allowable Fees	Recording fee
Closing Documents	Great Choice Plus Note and Deed of Trust in the name of THDA
Homebuyer Education	Required prior to closing on THDA Great Choice Plus
Servicing	No monthly second mortgage payment is collected.

2. Great Choice Plus

The Great Choice Plus loan is a 0% interest rate, deferred payment, forgivable second lien. The second mortgage loan is forgiven at the end of the term of the Great Choice first mortgage loan.

F. Prepayment Penalty

Prepayment penalties are not permitted on THDA loans.

G. 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.

H. Origination Fee

Only the authorized Origination Fee and Discount Points may be charged.

I. 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.

4.4 FEDERAL RECAPTURE

All THDA loans closed after December 31, 1990, 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.

A THDA loan, originally closed after December 31, 1990, that is assumed within nine years from the date of the original THDA loan closing is subject to the recapture tax for an additional nine year period beginning on the date of the assumption.

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.

Tennessee Housing Development Agency (THDA)

**Great Choice Plus Loan Program
Application for Assistance**

Borrower

I/We the undersigned borrower(s), are applying for a Great Choice Plus loan to be used for down payment and closing costs assistance under the terms of the Great Choice Plus Program. To induce THDA to provide such assistance, I/we certify as follows:

- a. I/We have applied for an FHA, VA, or USDA/RD THDA funded loan in the amount of \$ _____ (Total Loan Amount Including FHA, MIP, VA Funding Fee, or RD Guaranty Fee).
- b. I/We have entered into a Purchase Contract in the state of Tennessee for the amount of \$ _____ (Total Purchase Price)
- c. I/We request a Great Choice Plus loan in the amount of \$ _____ (no more than 5% of the Purchase Price)
- d. I/We understand the interest rate on the Great Choice Plus loan will be 0 % for a term of 30 years with no monthly payments, forgiven at the end of the term of the Great Choice first mortgage.
- e. I/We understand that in the event of a sale, refinance or any other disposition of all or any part of the property secured by the Great Choice Plus Deed of Trust, the full amount of the Great Choice Plus loan must be repaid to THDA.
- f. I/We understand that a \$50.00 Grant will be provided to my Lender by THDA for the cost of recording the Great Choice Plus Deed of Trust.

Borrower

Date

Co-Borrower

Date

Lender

In connection with this application for a Great Choice Plus loan, I, the undersigned duly authorized representative of _____ (the lender), certify as follows:

- a. The scheduled loan closing date is _____, 20__.
- b. The borrower(s) will not receive any cash at closing as a result of, or from, proceeds from the Great Choice Plus loan. Any "Net Funds to Borrower" at closing will be those allowable by THDA guidelines. (Originating Agent Guide, Section 7.5 D).

Lender

Date

Tennessee Housing Development Agency (THDA)

Disclosure of Loan Terms for Great Choice Plus Second Mortgage Loan

I acknowledge that I am applying for assistance from Tennessee Housing Development Agency (THDA) in the form of a second mortgage loan, the Great Choice Plus, to utilize for down payment and/ or closing costs assistance.

This disclosure form is required to be presented to me by the Originating Agent before settlement and/ or closing of the mortgage when a Loan Estimate (LE) on the second mortgage loan is not provided.

As a Borrower under this program, I understand that the Great Choice Plus second mortgage loan has the following terms and conditions as explained by my originating lender:

- The term of the Great Choice Plus second mortgage loan is 30 years, forgiven at the end of the term of the Great Choice first mortgage.
- The interest rate is 0% and is non-amortizing, therefore having no required monthly payment.
- There are no costs or fees charged by THDA and the APR will be 0%.
- A GFE is required for the Great Choice Plus second mortgage loan.
- The Great Choice Plus second mortgage loan is required to be repaid upon sale or refinance of my Great Choice first mortgage loan.
- A Grant will be provided to my lender by THDA on my behalf for \$50 of the cost of the recording fees of the Great Choice Plus deed of trust.
- If I have any questions about the Great Choice Plus Second Mortgage Loan I am encouraged to ask my lender or contact THDA for additional information at SFask@thda.org or 1-615-815-2100.

Borrower

Date

Co-Borrower

Date

**TENNESSEE HOUSING DEVELOPMENT AGENCY
GREAT CHOICE PLUS LOAN PROGRAM
SECOND PROMISSORY NOTE**

\$Click here to enter text.

Click here to enter text., Tennessee
Click here to enter text., 20Click here to enter text.

Property Address: Click here to enter text.
Click here to enter text.

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I, the undersigned ("Borrower(s)") do promise to pay U.S. \$Click here to enter text. (this amount is called "Principal") to the order of the Lender. The Lender is TENNESSEE HOUSING DEVELOPMENT AGENCY, Andrew Jackson Building, 3rd Floor, 502 Deaderick Street, Nashville, TN 37243-0200 ("Lender"). If required, I will make all payments under this Second Promissory Note in the form of cash, check or money order. This Second Promissory Note is secured by a Great Choice Plus Program Subordinate Deed of Trust ("Second Deed of Trust"). Borrower has also signed a promissory note ("First Note") and deed of trust ("First Deed of Trust") in conjunction with a Great Choice loan to be assigned to Lender (the "First Mortgage Loan") for the purchase of the property described in the Second Deed of Trust (the "Property"). The First Note and the First Deed of Trust and related documents are referred to as the "First Mortgage Loan Documents."

2. INTEREST

The interest rate on this Second Promissory Note is 0%.

3. PAYMENTS

During the term of this Note, if Borrower is not in default under any of the terms of this Second Promissory Note or the Second Deed of Trust then Borrower shall not be required to make any payments.

4. TERM

The term of the loan evidenced by this Second Promissory Note shall be the date that is thirty (30) years from the date of this Second Promissory Note (the "Maturity Date").

5. INDEBTEDNESS SUBORDINATE

I acknowledge that the indebtedness evidenced by this Second Promissory Note is subordinate in right of payment to the First Mortgage Loan.

6. DUE ON SALE

I will pay to the Lender or subsequent note holder the entire Principal amount then outstanding immediately upon the sale, transfer or other conveyance (whether voluntarily, involuntarily or by operation of law) of all or any part of the Property. I will pay to the Lender or subsequent note holder the entire Principal amount then outstanding immediately upon the refinancing or payment in full of the First Mortgage Loan.

7. DEFAULT

I will be in default if: (i) I default in the payment of any sums due under the First Mortgage Loan Documents and such default is not made good prior to the due date of the next installment thereunder, or any cure period provided; or (ii) I refinance, sell or transfer or otherwise alienate all or any part of the Property or any interest therein (voluntarily, involuntarily or by operation of law) without the Lender's prior written consent; or (iii) I fail to occupy the Property as my principal residence during the term hereof; or (iv) I omit or misrepresent a material fact in an application for the First Mortgage Loan or in any of the First Mortgage Loan Documents or in any documents executed in connection with this Second Promissory Note; or (v) I change the use of the Property, or any part thereof, to a use

other than for single-family occupancy by me; or (vi) I default under any of the covenants, terms or conditions contained in this Second Promissory Note or in the Second Deed of Trust, or in any of the First Mortgage Loan Documents, or in any other document concerning or given as security for the indebtedness evidenced hereby; or (vii) I refinance or pay in full the First Mortgage Loan. Notwithstanding the foregoing, a default under the First Note or First Deed of Trust shall not constitute a default under this Second Promissory Note until the holder of the First Note has either (a) accelerated the maturity thereof, or (b) has taken affirmative action to foreclose on the First Deed of Trust.

8. NO WAIVER BY NOTE HOLDER

Even if, at a time when I am in default, the Lender or subsequent note holder does not require me to pay immediately in full as described above, the Lender or subsequent note holder will still have the right to do so if I am in default at a later time.

9. PAYMENT OF NOTE HOLDER'S COSTS AND EXPENSES

If the Lender or subsequent note holder has required me to pay immediately in full the Principal amount then outstanding as described above, the Lender or subsequent note holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Second Promissory Note to the extent not prohibited by applicable law. Those expenses include, for example, all court costs and reasonable attorneys' fees.

10. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Second Promissory Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Lender or subsequent note holder a notice of my different address. Any notice that must be given to the Lender or subsequent note holder under this Second Promissory Note will be given by delivering it or by mailing it by first class mail to the Lender or subsequent note holder at the address stated in Section 1 above or at a different address if I am given a notice of that different address.

11. OBLIGATIONS OF PERSONS UNDER THIS SECOND PROMISSORY NOTE

If more than one person signs this Second Promissory Note, each person is fully and personally obligated to keep all of the promises made in this Second Promissory Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Second Promissory Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Second Promissory Note, is also obligated to keep all of the promises made in this Second Promissory Note. The Lender or subsequent note holder may enforce its rights under this Second Promissory Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Second Promissory Note.

12. WAIVERS

I and any other person who has obligations under this Second Promissory Note waive the rights of Presentment and Notice of Dishonor. "Presentment" means the right to require the Lender or subsequent note holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Lender or subsequent note holder to give notice to other persons that amounts due have not been paid.

13. LENDER'S RIGHTS

The rights and remedies of the Lender or subsequent note holder as provided by law, by this Second Promissory Note, and by the Second Deed of Trust shall be cumulative and may be pursued singly, successively, or together.

14. GOVERNING LAW

This Second Promissory Note is to be governed and construed in accordance with the laws of the State of Tennessee.

15. SECOND DEED OF TRUST

In addition to the protections given to the Lender or subsequent note holder under this Second Promissory Note, the Second Deed of Trust, dated the same date as this Second Promissory Note, protects the Lender or subsequent note holder from possible losses which might result if I do not keep the promises which I make in this Second Promissory Note. The Second Deed of Trust describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Second Promissory Note.

BORROWER(S) SIGNATURE:

Borrower

Borrower

Borrower

[Sign Original Only]

Sample