

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS
GUIDE REVISION 150**

November 12, 2019

Remove and discard:

Replace with enclosed:

Page 1 (January 2014)	Page 1 (Revised 11/12/19)
Page 24 (Revised 10/01/18)	Page 24 (Revised 11/12/19)
Page 25 (Revised 08/07/19)	Page 25 (Revised 11/12/19)
Page 28 (Revised 06/11/16)	Page 28 (Revised 11/12/19)
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EFFECT OF CHANGE

Effective November 12, 2019, the new rate lock/reservation system is launched.

- Rate lock terms are 90 days for existing construction and 180 days for new/proposed construction.
- New commitment term is valid through the rate expiration date.
- Rate lock desk is available 9:00 am until 4:30 pm Central Time.

SECTION 1: THDA

THE GUIDE

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 30, 2013, and this Guide shall apply to all THDA approved loans closed on or after October 1, 2013.

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.

1.2 HOURS OF OPERATION AND HOLIDAY SCHEDULE

The Single Family Programs Division hours of operation are 6:30 a.m. until 4:30 p.m. Central Time, Monday through Friday. Rate lock desk is available 9:00 a.m. until 4:30 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.

1.3 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

Any interested person may receive a packet of general information concerning THDA loan programs by leaving their name and address on the Single Family Programs General Information line (see below) or on the THDA toll-free (TN) message line: 1-800-228-8432. Information is also available on the THDA website at www.thda.org.

SECTION 5: PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS

5.1 OVERVIEW

A. Rates and Rate Lock

Current interest rates are listed on our website at www.thda.org. 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 1.4, 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 4:30 pm CST during THDA's business days.

B. Disclosures

1. Great Choice

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

2. Great Choice Plus

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

C. 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 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, 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.

D. 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. Each person on loan is required to obtain homebuyer education. The following formats are available for Homebuyer Education:

1. Face-to-Face

- 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 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 after which course must be retaken.

E. 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.

F. 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.

G. 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).
 - e. Must be US Citizen or permanent resident alien

H. Co-Signers

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

5.4 DEBTS, OBLIGATIONS AND OTHER EXPENSES

A. 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.

B. 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.

C. 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 borrowers are not eligible for another THDA loan.

D. Child Support and Alimony Obligations

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

E. Judgments

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

F. Federal or State Tax Liens, Tax Arrearages

All tax liens or arrearages must be paid in full. Include an acceptable explanation from the Applicant.

G. Collections

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

H. Co-Signed Debt

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

I. Child Care Expense

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

J. 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.

K. Establishing / Re-establishing Credit

Borrower(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 at the discretion of THDA.

C. 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.

6.4 THDA UNDERWRITING DECISIONS

A. 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 Section 6.5.
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.

B. Rejections

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

C. Re-Submissions

Re-submitted 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.

6.5 COMMITMENTS

A. Application Approval

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

B. 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.

C. 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).

D. 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.

E. 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).

F. 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.

G. Commitment Delivery

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

H. 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 is less than the principal and interest payment indicated on the Commitment;
9. The monthly principal and interest payment in the promissory note 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.