

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE  
REVISION 153**

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**Remove and discard:**

**Replace with enclosed:**

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Page 6 (January 2014) .....	Page 6 (Revised 07/01/20)
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**EFFECT OF CHANGE**

Effective for loans with an interest rate locked **on and after July 1, 2020**, THDA is changing the Originating Agent (OA) compensation for all THDA loan programs. THDA will not allow OAs to charge an origination fee effective for loans with interest rates locked on or after July 1, 2020. OAs will be compensated 1.75% at the time THDA purchases the loan.

THDA will also implement a maximum of \$1,400 for all origination charges that are listed in section A, page 2 of the loan estimate/closing disclosure. These fees include, but are not limited to, underwriting, processing, administration and program fees.

## 1.4. CURRENT THDA LOAN PROGRAMS

### A. Great Choice Loan Program

This program is designed for low and moderate income borrowers. Great Choice offers a low interest rate loan secured by a first mortgage with the option of down payment and closing cost assistance to a maximum of 5% of the purchase price at a 0% interest rate, deferred payment, forgivable second loan secured by a second deed of trust. 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>Maximum Household Income</b>	Varies by county
<b>Maximum Acquisition Cost (Including all incidentals)</b>	Varies by county
<b>Maximum LTV</b>	Subject to FHA, VA, and USDA/RD Guidelines. Conventional Loans 78% LTV or less.
<b>Interest Rate</b>	<b>4.00%</b> fixed rate, subject to change
<b>Loan Term</b>	30 years
<b>Loan Types</b>	FHA, VA, USDA/RD, Conventional
<b>Mortgage Insurance or Guarantee</b>	As required by loan type
<b>Buydowns</b>	Not allowed
<b>Assumable</b>	Subject to qualifying
<b>Pre-Payment Penalty</b>	No penalty
<b>Subject to Recapture</b>	Yes
<b>Required Reserve</b>	As required by loan type
<b>Minimum Investment</b>	As required by loan type
<b>Closing Costs</b>	May come from borrower, seller, a gift, or as required by loan type
<b>Down Payment</b>	As required by loan type
<b>First Time Homebuyer Rule</b>	Borrower must not have an interest in their primary residence within 36 months of application <b>unless</b> the property to be financed with the loan is in a targeted area or the borrower meets the Veteran's exemption. (See THDA website for targeted areas.)
<b>Homebuyer Education</b>	Required
<b>Origination Fee</b>	Cannot be charged
<b>Lender Compensation</b>	1.75% at time of loan purchase, 1% SRP

## **SECTION 2: ORIGINATING AGENTS**

### **2.1 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.

### **2.2 CORRESPONDENT RELATIONSHIPS**

Each Originating Agent is responsible for the documents submitted to THDA in loan application files, closed loan packages or otherwise. 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.

In THDA’s sole discretion, THDA may permit a HUD-approved underwriting relationship between an Originating Agent and another lender solely for the purpose of FHA Direct Endorsement underwriting if an Originating Agent does not have an FHA Direct Endorsement Underwriter on staff. To request THDA’s approval prior to the submission of any loan application to THDA, submit a copy of the appropriate HUD approval of the underwriting relationship. The Originating Agent is responsible for originating, processing, closing, submitting for insurance or guaranty, delivering the loan to THDA and providing all necessary follow-up documentation.

Each of these policies may be waived or exceptions may be granted on a case-by-case basis, in THDA’s sole discretion. Requests for any waiver or exception under this Section 2.2 must be submitted in writing to THDA prior to submission of any loan application or applications to which the waiver or exception applies. In the event THDA denies a request for a waiver or an exception under this Section 2.2, THDA will not accept any loan application or applications for processing to which the waiver or exception applies.

### **2.3 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 a lender compensation at the time of loan purchase by THDA 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 Fee - The amount depends on the agreement between Originating Agent and an approved THDA Servicer in connection with the sale of servicing. This agreement must be in writing, fully executed, and approved by THDA before a Commitment can be issued by THDA. Servicing can only be sold directly to an approved THDA Servicer.
4. Interest - For loans closed by the Purchase Method, 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.

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## 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. Great Choice Plus second mortgage loans can only be used for closing costs, prepaids and down payment assistance.

### **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**

May not be charged by the lender.

### **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](http://www.irs.gov).

## **B. Qualifying Spouse**

Applications involving married applicants require that both spouses meet the first-time homebuyer eligibility, except in Targeted Areas or if eligible for a veteran's exemption.

A non-qualifying spouse must sign the Deed of Trust.

## **C. Rescission**

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

## **D. 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.

## **E. 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.

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

An 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. THDA's Affidavit of Affixation (Form HO-0453) is to be used unless the Settlement Agent uses an Affidavit of Affixation that meets the statutory requirement of TCA Section 55-3-138.

## **G. 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.

## **7.6 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.

2. Origination Fee

No origination fee may be charged to the borrower or seller by the lender.

3. THDA allows the Originating Agent to charge normal and customary fees, including without limitations, appropriate application fee. If the Originating Agent elects to charge the Application Fee, it must be included on the LE and CD.

### **7.7 USE OF MERS SYSTEM**

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.

**I. 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.

**J. 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.

II. Great Choice Plus Loan:

THDA only allows customary recording fees and odd days interest. THDA does not allow Lender title policy on the Great Choice Plus loan. THDA Great Choice Plus loans are exempt from state stamp taxes.

**K. 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.

**L. Termite Inspection/Treatment Certificate (when applicable)**

See Section 7.4.C.

**M. Flood Insurance (when applicable)**

See Section 7.4.E.

**N. Commitment Conditions**

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