

**ORIGINATING AGENTS GUIDE
REVISION 156**

June 26, 2020

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EFFECT OF CHANGE

Effective with loan applications requesting down payment assistance locked on July 1, 2020 and later:

- All second mortgage loans will close in the name of the Originating Agent (OA).
- The OA will be responsible for providing the borrower(s) the initial Loan Estimate (LE) disclosure at the time of application as well as having the borrower(s) execute the Closing Disclosure (CD), second mortgage note, and Deed of Trust at closing.
- No second mortgage forms will be available of the THDA website.
- OAs must utilize the Fannie Mae/Freddie Mac standard mortgage note and deed of trust.
- The late fee for the second mortgage is 15 calendar days after the date the payment is due. The amount charged will be 5% of the overdue payment.

Immediately after closing, the OA will provide the following documentation in their closed loan package to THDA:

- Fully executed original note for the Great Choice Plus Mortgage Loan, endorsed to THDA
- A copy of the fully executed and notarized original DOT for the Great Choice Plus Loan with all applicable Riders (THDA rider is not needed). Assignments to THDA can be completed by utilizing the MERS system. All DOTs should reflect the Mortgage Identification Number (MIN) as required by MERS.
- For FHA loans executed Legal Obligation Letter, this is provided with the commitment issued by THDA.

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

This loan offers down payment and closing cost assistance to first-time homebuyers at a low interest rate 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 at an interest rate the same as the first mortgage, monthly payments amortized over a 15 year term, and a second lien.

Eligible Borrower	Homebuyer obtaining THDA Great Choice Loan
Maximum Household Income	THDA Great Choice Program Limits apply
Maximum Loan Amount	Sales price less than \$150,000, second mortgage loan amount equals \$6,000 Sales price equal to or more than \$150,000, second mortgage loan amount equals \$7,500
Interest Rate	Same as first mortgage
Loan Term	15 years
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. No assumption of Great Choice Plus allowed, with the exception of a VA assumption.
Allowable Fees	Recording fee and odd days interest
Closing Documents	FNMA/FHLMC Multi-state Note and Deed of Trust in the name of the Originating Agent
Homebuyer Education	Required prior to closing on THDA Great Choice Plus
Servicing	Volunteer Mortgage Loan Servicing

2. Great Choice Plus

The Great Choice Plus loan has an interest rate the same as the first mortgage interest rate, monthly payments amortized over 15 years, second lien. Great Choice Plus second mortgage loans can only be used for closing costs, prepaids and down payment assistance. Amount of assistance is \$6,000 for sales price less than \$150,000, and \$7,500 for sales price equal to or more than \$150,000.

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.

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.

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.

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 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.

6.6 FUNDING THDA LOANS

Funding Method

All THDA first mortgage loans and THDA Great Choice Plus second mortgage loans are funded by the Purchase Method. Under this funding method, the loan closes with the Originating Agent's funds after all Prior-to-Closing conditions have been cleared by THDA. After the closed loan file is delivered to THDA with acceptable documentation and original mortgage notes are received, THDA may purchase the loan.

6.7 ADDITIONAL INFORMATION

A. Scheduling Loan Closings

Depending on volume, THDA attempts to review application files in the order of date received within 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 hand delivered by the Originating Agent after 3:00 P.M. will be considered received the following day for processing purposes. Applications received during the final 5 business days of the month should not be expected to close by end of month.

B. 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 Affidavits 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 application reflecting the correct property must be submitted to THDA.

C. 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.

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. Conventional:
FNMA/FHLMC Multistate Conventional Note (Tennessee)
FNMA/FHLMC Multistate Deed of Trust (Tennessee)
THDA Rider
5. THDA Great Choice Plus Second Deed of Trust
FNMA/FHLMC Multistate Note (Tennessee) (For Second Mortgage)
6. Legally Enforceable Obligation Letter

B. 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.

C. 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.

7.4 OTHER REQUIRED DOCUMENTATION

A. 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.

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 the 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, \$2,500 or the maximum of guarantor's guidelines for VA and USDA loans.

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.

F. 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.

G. Closing Disclosure

The 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.

H. 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.

7.5 OTHER REQUIREMENTS

A. 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.

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.

Great Choice Plus second mortgage loans should also utilize the MERS system to assign loans to THDA. THDA Second Mortgage loans and GC 97 loan do not need to have the THDA Rider recorded.

SECTION 8: SHIPPING A CLOSED THDA LOAN

8.1 OVERVIEW

A. Originating Agent Obligations

Originating Agents must conform to strict time tables when shipping a closed loan file to THDA and to the THDA Servicer. 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 the THDA Servicer indicated on the Commitment to facilitate timely 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.

B. 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.

C. Shipping Address

When delivering closed loan files and follow-up documents, specify "Single Family Programs Division, Closing Department". Documents delivered without "Single Family Programs Division" included in the address may be misdirected or lost.

8.2 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.
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

Loans closed by the Purchase Method, if approved by THDA, 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

C. Commitment

Enclose a copy of the Commitment.

D. 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.

E. 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.

F. Affidavit of Affixation (Manufactured Home)

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

G. 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.

This includes Great Choice and Great Choice Plus Mortgage Loans.

H. 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.

provided if the residence is a 2, 3 or 4 family home, or is a PUD, townhouse, zero lot line, modular or manufactured home.

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 HO-0453 (12/06)

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 (07.19)

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 (08/03)

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 (02/18)

All loans closed by the Purchase Method 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.