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**ORIGINATING AGENTS GUIDE
REVISION 158**

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Remove and discard:

Page 24 (Revised 07/01/20)
Page 25 (Revised 11/12/19)
Page 26 (Revised 08/07/19)
Page 31 (Revised 07/20/17)

Replace with enclosed:

Page 24 (Revised 07/22/20)
Page 25 (Revised 07/22/20)
Page 26 (Revised 07/22/20)
Page 31 (Revised 07/22/20)

EFFECT OF CHANGE

Effective immediately the THDA Program Guide contains updated language to provide clarification regarding the following information.

Rate Locks:

Rate locks cannot be cancelled and relocked when interest rates decrease. If a loan is cancelled and the borrower changes properties, a new lock can be obtained. If Program changes, THDA will take original lock date and new lock request into consideration and provide lock confirmation reflecting worse day pricing. When Program changes, THDA reserves the right to request a Change of Circumstance from the Originating Agent.

Qualifying Income:

Qualifying income must be accurate and documented. If primary employment is salary or hourly, the base pay rate for qualification purposes cannot exceed the amount reflected on the most recent pay stub.

Liabilities:

Debt excluded from debt ratios must be documented according to the insurer's guidelines. This documentation must be submitted to THDA. Although most insurer underwriting guidelines allow a certain number of remaining scheduled debt payments to be disregarded for purposes of loan qualifying, the impact of the existing debt could affect an Applicant's budget for scheduled mortgage payments. Therefore, the impact of these payments will be evaluated in THDA's sole discretion.

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 5:30 pm CST during THDA's business days. Rate locks cannot be cancelled and relocked when interest rates decrease. If a loan is cancelled and the borrower changes properties, a new lock can be obtained. If Program changes, THDA will take original lock date and new lock request into consideration and provide lock confirmation reflecting highest day pricing. THDA reserves the right to request a Change of Circumstance from the Originating Agent.

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 Loan Estimate and Closing Disclosure.

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.

5.2 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 VOE form, answers to all questions contained on the standard VOE must be provided by the employer on employer letterhead. Verifications must indicate bonuses, next pay increase, overtime and scheduled number of work hours if paid by the hour. In addition, a copy of each Applicant's most recent pay stub is required (no more than 30 days old). This income verification and documentation is also required for a non-qualifying spouse and any other occupant of the property 18 years of age or older.

For additional information see Section 6.2, O.

B. Sole-Proprietorship Verifications

Year-to-date P&L, Plus 1040's with Schedule C for a minimum of two tax years, and 24 months in business.

C. Partnership Verifications

Year-to-date P&L, Plus 1065's with Schedule K-1 and Schedule E, part II; Partnership returns with all schedules. Minimum two tax returns and 24 months in business.

K. 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.

L. 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.

M. 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.

N. Final Divorce Decree/Marital Dissolution; Court Ordered Child

Support; SSI or Other Assistance

Include copies of any or all of these documents, as applicable. Parenting plan may be used to determine the accuracy of household composition.

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

OA must document the Borrower's income and employment history for the most recent 2 years. Verification of the accuracy of the income used for qualification purposes must be represented in the submission. If primary employment is salary or hourly, the base pay rate for qualification purposes cannot exceed the amount reflected on the most recent pay stub.

For additional information see Sections 5.3 and 5.4.

P. 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.

Q. 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.

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

See Section 5.3.