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**NEW START PROGRAM GUIDE
REVISION 29**

August 1, 2021

Remove and discard:

Replace with enclosed:

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EFFECT OF CHANGE

MORTGAGE LOAN PROGRAM MAXIMUM LOAN AMOUNT:

Effective for all mortgage loans closing on and after August 1, 2021, THDA is raising the maximum New Start Mortgage Loan amounts as follows:

- \$200,000 in the middle Tennessee counties of Maury, Williamson, Davidson, Rutherford, Wilson, Sumner, and;
- \$140,000 in all other counties in Tennessee

The maximum loan to value for all New Start first mortgage loans will remain at 75%; therefore the maximum LTV will be the lessor of 75% of appraised value or sales price not to exceed the maximum loan amounts per county

1.4. THDA NEW START PROGRAM

A. Description

The New Start Loan Program is designed to promote the construction of new homes for low and very low income Tennesseans. The New Start Loan Program will be delivered through non-profit organizations (the “New Start Program Partner” or “Program Partner”) with established programs for the construction of single family housing for low and very low income households. The New Start Program Partner is responsible for selecting the homebuyer, determining the borrower’s eligibility based on New Start Program guidelines, constructing the home, providing homebuyer education, and originating the New Start Loan.

NEW START PROGRAM CHOICES

	TIER I	TIER II
Interest Rate	0% Fixed Rate	Equal to one half of THDA’s Great Choice
Loan Term	30 Years	30 Years
Maximum LTV	The Lesser of 75% of Appraised Value or Sales Price*. Not to Exceed \$200,000**	The Lesser of 75% of Appraised Value or Sales Price*. Not to Exceed \$200,000**
Loan Types	Conventional	Conventional
Buy Downs	Not Allowed	Not Allowed
Eligible Properties	Newly Constructed Single Family	Newly Constructed Single Family
Assumable	Subject to Section 9	Subject to Section 9
Pre-Payment Penalty	No Penalty	No Penalty
Subject to Recapture	Yes	Yes
Closing Costs	May Come From Applicant, Seller or a Gift	May Come From Applicant, Seller or a Gift
Homebuyer Education	Required	Required
Origination Fee	Maximum 1% on 1 st Mortgage	Maximum 1% on 1 st Mortgage
Maximum 1st Mortgage Loan	\$140,000* or \$200,000**	\$140,000* or \$200,000**

** Applies to the following six counties: **Davidson, Maury, Rutherford, Sumner, Williamson, Wilson**

* Applies to all counties not included in the six counties above.

SECTION 2: PROGRAM PARTNERS

2.1. ELIGIBILITY REQUIREMENTS

A. **Becoming a Program Partner**

A Habitat for Humanity affiliate (“Habitat”) located in the State of Tennessee or a non-profit organized and existing under the laws of the State of Tennessee (“non-profit”) may be eligible to participate in the New Start Loan Program. To establish eligibility, any such organization must provide all of the following to THDA:

1. Certificate of Existence from the Tennessee Secretary of State, dated within thirty (30) days of submission to THDA, indicating the organization was duly incorporated as a nonprofit corporation under the laws of the State of Tennessee at least two years prior to the date of application to become a Program Partner and is validly existing;
2. Copy of Articles of Incorporation, Charter and By-Laws, most recent business plan or strategic management plan (dated within the last 12 months) and all amendments thereto demonstrating that its purposes include providing decent housing that is affordable to low and very low income persons;
3. Copy of 501(c)(3) or 501(c)(4) determination letter from the IRS or a letter from Habitat for Humanity International confirming the applying affiliate is an exempt subordinate and a copy of the group determination letter from the IRS;
4. Board minutes approving participation in the New Start Loan Program;
5. Detailed explanation of the organization’s experience in constructing affordable single family housing and in providing homebuyer education for low and very low income households over the most recent two (2) calendar years from the date of application to become a Program Partner;
6. Most recent, dated within the last 12 months, financial audit, audited comparative financial statements, letter of financial review by CPA firm with an arm's length relationship to the organization, balance sheet with cash flow statement and income statement.
7. Provide a New Start projection and allocation report demonstrating that the number of New Start zero percent (0%) loans expected to be originated, closed and purchased by THDA during the fiscal year does not exceed fifty percent (50%) of the organization’s funding sources for affordable housing, unless prior approval granted by THDA. Include in this report the additional funding sources available to the Provider Partner for the fiscal year’s production expectations.
8. A minimum liquid asset requirement of \$140,000/ \$200,000 (contingent on county) is required to be maintained by the provider partner, or a letter of credit for a minimum of \$140,000/ \$200,000 (contingent on county) from a verifiable institution.
9. Copy of proof of errors and omissions insurance
10. Copy of subordinate financing note(s) with terms to be utilized.
11. Copy of certificate of completion of Mortgage Loan Originator licensing class for staff taking loan applications. NMLS licensing is not required.
12. Copy of most current IRS form 990 filed.
13. Provide the completed New Start Partner Application with THDA Disclosure Forms and all required attachments.

completion is required. Program Partner shall monitor or provide counseling to each New Start Loan borrower during the life of the New Start Loan. Although not required, Program Partner may partner with a THDA HBEI Network Agency to offer the education classes. THDA will accept any Homebuyer Education Certificate of Completion for the New Start Loan program

SECTION 3: QUALIFYING AN APPLICANT TO PARTICIPATE IN THDA’S NEW START LOAN PROGRAM

Program Partner shall determine Applicant eligibility for each New Start Loan in accordance with this section.

3.1. ACQUISITION COST

A. Defining Acquisition Cost

Generally, the Acquisition Cost is the total cost of acquiring the Property as a completed residential unit. The Acquisition Cost is the price specified in the contract between the seller and Applicant for the Property plus amounts specified in any other agreements (written or verbal) in connection with the purchase or construction of the Property. The Acquisition Cost includes all amounts paid in cash or in kind by the Applicant or on behalf of the Applicant in connection with the Property.

B. Maximum Loan Amount

The maximum THDA New Start loan amount cannot exceed \$140,000 for all counties, except the following six (6) counties, which cannot exceed \$200,000: Davidson, Maury, Rutherford, Sumner, Williamson, and Wilson.

C. Acquisition Cost Inclusions

Include the following items in determining Acquisition Cost:

1. The price indicated in an executed sales contract for a proposed or new unit and lot that will be conveyed to the Applicant when the New Start Loan is closed (“unit” includes a manufactured home on a permanent foundation);
2. The cost of all materials and labor needed to complete the residence that is not included in the sales contract;
3. Any other cash or in-kind contributions paid by or on behalf of the Applicant to or for the seller;
4. Any other cash or in kind contributions paid by or on behalf of the seller to or for Applicant;

3.2. HOUSEHOLD INCOME LIMITS

A. Income Limits

1. Tier I: [See Section 1.4 B](#)
2. Tier II: [See Section 1.4 B.](#)

Any borrower that meets the income limits in Tier I must close under the Tier I program. Borrowers whose income exceeds the Tier I income limits but falls below the Tier II income limits must close under the Tier II program.

THDA may, on a case-by-case basis and in THDA's sole discretion, consider a property that includes more than one lot or exceeds two acres in size, if necessary for the habitability of the property. For example, some city or county zoning requires that the property contain more than two acres, the topography of the land may be extremely rough, additional land may be required for a septic system, etc. Requests for consideration of a property that exceeds two acres in size must be well documented by the appraiser. The appraiser must also state that the property is not income producing property.

4.3. ELIGIBLE LOAN TYPES AND TERMS

A. Types of Loans

Each New Start Loan must be a conventional uninsured loan.

B. Maximum Loan-To-Value Ratios and Maximum Loan Amount

The maximum loan-to-value may not exceed 75% of the lesser of the appraised value or contract sales price. The maximum combined loan-to-value (CLTV) including subordinate financing may not exceed 100%. However, the maximum New Start loan amount may not exceed \$140,000, or \$200,000 in the following 6 counties: Davidson, Maury, Rutherford, Sumner, Williamson, Wilson.

C. Security

All New Start Loans must be secured by a first lien on the Property. In addition, THDA may allow second mortgages in conjunction with a New Start Loan. Amortizing second mortgages or subordinate mortgages (non-forgivable) may not exceed 100% CLTV of the Acquisition Cost. All notes and deeds of trust for any subordinate financing must be submitted with the New Start loan application.

D. Loan Payment Terms

New Start Loans must be fully amortized, with level payments, and must be for a maximum term of 30 years in all cases. The loan term cannot exceed the economic life of the Property as specified in the appraisal report.

E. Prepayment Penalty

Prepayment penalties are not permitted on New Start Loans.

F. Late Charge

Late charges, if any, must be reflected in the Promissory Note and cannot exceed 5%.

G. Assumptions

New Start Loans are not assumable except in accordance with Section 9.

H. Origination Fees and Discount Points

A 1% origination fee may be charged on THDA's first mortgage.

I. Discount Points

Not allowed.