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**ORIGINATING AGENTS GUIDE
REVISION 96**

January 27, 2015

Remove and discard:

Replace with enclosed:

Page 24 (Revised 02/02/15)Page 24 (Revised 02/02/15b)

EFFECT OF CHANGE

This page contains a correction to Revision 95 in reference to THDA's compensating factor, one month PITI in reserves. **These funds cannot be gift funds.**

SECTION 5: PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS

5.1 OVERVIEW

A. 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 good faith estimates, Reg. Z or Truth in Lending, 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, without limitation, signed and dated copies of a good faith estimate, Reg. Z or Truth in Lending and applicable THDA Great Choice Plus disclosures.

B. 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 or the insurer, program accepted, underwriting software, i.e. Loan Prospector (LP), 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 620 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 620.
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 45%.
3. Refer/Eligible: Loans must be manually underwritten, maximum debt ratio of 43%, minimum credit score of 620, 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 620.

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.

C. Homebuyer Education

Great Choice Plus and Homeownership for the Brave borrowers are required to obtain pre-purchase education and counseling provided by a certified THDA counselor at one of the approved agencies listed on THDA's website at www.thda.org. This course is an eight hour face to face training session which usually combines a 6-7 hour group class with an hour of individual one-on-one counseling.