

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE
REVISION 97**

February 26, 2015

Remove and discard:

Replace with enclosed:

| | |
|-----------------------------------|----------------------------|
| Page 4 (Revised 10/01/14) | Page 4 (Revised 02/26/15) |
| Page 24 (Revised 02/02/15b) | Page 24 (Revised 02/26/15) |
| Page 49 (Revised 10/1/14) | Page 49 (Revised 02/26/15) |
| Page 50 (Revised 10/1/14) | Page 50 (Revised 02/26/15) |

EFFECT OF CHANGE

These pages provide textual corrections only, and no changes in guidelines.

- The correction on page 4 is in the table section related to Homebuyer Education.
- The correction on page 24 is in Section 5; 5.1 OVERVIEW; A, 2.
- The correction on page 49 is correcting revision dates of forms listed
- The correction on page 50 is correcting revision dates of forms listed

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

This loan offers down payment and closing cost assistance to first-time homebuyers at no interest 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 a 0% interest rate, deferred payment, forgivable second lien. The second mortgage loan is forgiven from year 11 through year 15 at 20% per year.

| | |
|---------------------------------|---|
| Eligible Borrower | Homebuyer obtaining THDA Great Choice Loan |
| Maximum Household Income | THDA Great Choice Program Limits apply |
| Maximum Loan Amount | Up to 4% of Purchase Price |
| Interest Rate | 0% |
| Loan Term | 15 year deferred, forgivable |
| Underwriting Criteria | Borrowers must have 620 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 prior to year 11. From year 11 through year 15, the loan is forgiven at 20% per year. No pre-payment penalty. No assumption of Great Choice Plus allowed, with the exception of a VA assumption. |
| Allowable Fees | Normal and customary 2 nd mortgage fees |
| Closing Documents | Great Choice Plus Note and Deed of Trust in the name of THDA |
| Homebuyer Education | Required prior to closing on THDA Great Choice Plus and Homeownership for the Brave Loans |
| Servicing | No monthly second mortgage payment is collected. |

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.

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.

SECTION 9: THDA FORMS AND INSTRUCTIONS

As a result of Tax Code requirements, THDA must require certain forms. Application files or closed loan packages that do not contain fully executed THDA forms, as required, will not be accepted by THDA. These forms must be included in THDA application files and in THDA closed loan packages as indicated in this Guide. THDA forms are in addition to the typical forms utilized in the mortgage industry. These forms are to be considered part of this Guide.

THDA forms may not be altered.

THDA forms may not be distributed to a lender who is not an Originating Agent or to any other unauthorized individual or entity.

Detailed instructions for completion of each THDA form follows in the order that they are typically encountered in the lending process:

- Application Affidavit HO-0450 (03/11)
- Veteran Exemption Application Affidavit HO-0460 (02/07)
- Notice to Applicants Federal Recapture Requirements HO-0448 (09/99)
- Seller Affidavit HO-0451 (09/99)
- Application for Assistance HO-0573 (10/14)
- Online Homeownership Education Borrower Information HBEO-100 (06/13)
- Online Homeownership Education Request HBEO-200 (06/13)
- Buyer Profile HO-0439 (02/15)
- Underwriting Submission Checklist HO-0549 (02/15)
- Affidavit of Affixation HO-0453 (12/06)
- Legally Enforceable Obligation Letter HO-0476 (10/14)
- Closed Loan Submission Checklist HO-0541 (11/13)
- THDA Rider HO-0440 (08/03)
- Request for Loan Purchase with Acknowledgement and Certification HO-0444 (10/14)
- Disclosure of Loan Terms for Great Choice Plus Second Mortgage Loan HO-0573 (10/14)

APPLICATION AFFIDAVIT HO-0450 (03/11)

VETERAN EXEMPTION APPLICATION AFFIDAVIT HO-0460 (02/07) (If Applicable)

The Application Affidavit or Veteran Exemption Application Affidavit (if applicable Application Affidavit) must be executed by each applicant and non-qualifying spouse. The household income figure to be provided in item #4 is the maximum allowable income for the size of the applicant's household and location of property. The acquisition cost figure for Great Choice is to be provided in item #5 is the maximum THDA acquisition cost for the county in which the property is located. The original Application Affidavit or Veteran Exemption Application Affidavit is required by THDA. All changes or whiteouts must be initialed by the Applicant(s).

Each Application Affidavit or Veteran Exemption Application Affidavit, must be executed and notarized within the State of Tennessee; however, in rare circumstances, an Application Affidavit or Veteran Exemption Application Affidavit may be executed and notarized outside the State of Tennessee, such as when a person is a member of the armed forces, is stationed outside the state and is unable to be present while the application is being processed.

NOTICE TO APPLICANTS FEDERAL RECAPTURE REQUIREMENTS HO-0448 (09/99)

This form is mandatory for all THDA loan applications. The Applicant and all Co-Applicants must sign and date the form at the time of application. Provide a copy to the Applicant. Enclose the original signed and dated form in the application file when submitted for THDA underwriting.

SELLER AFFIDAVIT HO-0451 (09/99)

The seller of the property must complete a Seller Affidavit for each application file submitted to THDA. The Seller Affidavit is to assist in determining whether the purchase of the property involves more than the purchase price specified in the sales contract.

The seller must sign and date the Seller Affidavit, and it must be notarized. Enclose the original Seller Affidavit in the application file when submitting for THDA underwriting. In the absence of the original Affidavit at the time of loan approval, a prior to closing contingency will be THDA receipt of the original.

APPLICATION FOR ASSISTANCE HO-0573 (10/14)

This form must be completed and the original included in each loan application package submitted under the Great Choice Plus Loan Program. The application should indicate the total FHA loan amount including MIP, the exact (dollars and cents) amount of assistance based on 4% of the referenced loan amount, the anticipated closing date, and the complete name of the settlement agent. This form must be signed by the Borrower(s) and an authorized representative of the lender.

ONLINE HOMEOWNERSHIP EDUCATION BORROWER INFORMATION FORM HBEO-100

The Originating Agent is responsible for reviewing the Online Homeownership Education Borrower Information Form with the prospective online education borrower. This form provides key information about the eHomeAmerica online product and requirements for the borrower to complete the course.

ONLINE HOMEOWNERSHIP EDUCATION REQUEST FORM HBEO-200

To request approval for online homeowner education for a borrower, the Originating Agent must complete and send the Online Homeownership Education Request Form HBEO-200 and the Online Homeownership Education Borrower Information Form HBEO-100 which has been executed by the borrower to THDA by fax to 615-564-1229 or email to HomebuyerEducationInfo@thda.org.

BUYER PROFILE HO-0439 (02/15)

This form is critical to facilitate accurate reports by THDA. Complete this form accurately and completely and enclose it the application file when submitted for THDA underwriting.

UNDERWRITING SUBMISSION CHECKLIST HO-0549 (02/15)

Use this form as a cover sheet for all application files submitted to THDA.

Follow the checklist closely and complete all information. Items omitted may cause the application file to be returned for completion and resubmission. Do not change the size of this form.

The checklist has five main sections:

1. General Information.
2. THDA Program Eligibility. Must include original documents, notarized as indicated.
3. Great Choice Plus Loans/Downpayment/Closing Cost Assistance. Must be documented as indicated, if applicable.
4. Credit Package. Must include documentation, as indicated.

Originating Agent Information: Provide complete information, including the Originating Agent's four-digit O. A. Number as assigned by THDA. An omitted or incorrect Originating Agent number and