

Ralph M. Perrey, Executive Director



**ORIGINATING AGENTS GUIDE
REVISION 99**

May 13, 2015

Remove and discard:

Replace with enclosed:

Page 4 (Revised 02/26/15).....	Page 4 (Revised 06/08/15)
Page 5 (January 2014).....	Page 5 (Revised 06/08/15)
Page 22 (January 2014).....	Page 22 (Revised 06/08/15)
Page 24 (Revised 02/26/15).....	Page 24 (Revised 06/08/15)

EFFECT OF CHANGE

Effective June 8, 2015, all Great Choice applications received by THDA will require a credit score of 640.

No score borrowers will be allowed with manual underwriting and alternative credit established per insurer/guarantor guidelines.



Originating Agents Guide

JANUARY 2014

Latest Revision: 06/08/15

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 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 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.

C. THDA Veterans Homeownership for the Brave Loan Program

This loan program offers a below market interest rate to qualified members of the United States military, National Guard, Veterans and some spouses. A 50 basis point rate reduction will apply to the Great Choice, based on the current rate at time of loan submission.

THDA Veterans Homeownership for the Brave Program	
Maximum Loan Amount	Not to exceed current THDA acquisition limits
Purchase product only	Refinance and second liens ineligible
Maximum LTV	Subject to FHA, VA, and USDA/RD Guidelines. Conventional Loans 78% LTV or less.
Underwriting guidelines	FHA, VA, USDA, and Conventional underwriting guidelines through D.U. apply except as modified by THDA product guidelines. Manual Underwriting acceptable with no credit score available.
Eligible Borrowers	<ul style="list-style-type: none"> • All Veterans • Active Duty Military (including those in their first tour of duty) • Retired Military • Active Duty Reservists or Reservists who have served 180 days or more active duty • If discharged or release was done so under conditions other than dishonorable • Spouse of Veteran or Surviving Spouse of Veteran
Income	Borrower's income must not exceed THDA current income limits per county. Income will be calculated based on THDA current income guidelines. Borrower must provide a DD-214 or most recent enlistment papers along with the most recent LES for active duty military
First Time Homebuyer Rule	First Time Homebuyer Rule does not apply: to "veterans" as defined in 38 U.S.C. Section 101, so long as the veteran did not previously receive a bond finance mortgage under this exception and, generally, includes anyone (a) who has served in the military and has been released under conditions other than dishonorable or (b) who has re-enlisted, but could have been discharged or released under conditions other than dishonorable.
Minimum FICO requirement	640
Maximum Debt to Income ratio	45%
Manual Underwriting	Income will be calculated based on current THDA guidelines. Borrower(s) with no credit scores may be manually underwritten using non-traditional credit guidelines in accordance with FHA, VA, and USDA/RD requirements to include those loans with an FHA Scorecard with a decision response of Refer/Eligible if the decision clearly states "No Score". If there are other risk factors stated other than "No Score", THDA will not accept the loan application.
Eligible Property	1 unit single family residence, townhouse or condo
Occupancy	Borrower/Co-borrower must occupy the property as their primary residence.
Downpayment	Required downpayment is based on FHA, VA or USDA program guidelines. The required downpayment for Conventional loans is 22%.
Homebuyer Education	8 hour Pre-purchase Homebuyer Education by a THDA approved Certified Counseling Agency required
Escrows	Escrow waivers are not permitted. Escrow for taxes and insurance is required

- The victim/borrower does not have to purchase in the declared disaster areas.
- Find the listed Presidentially declared disaster areas at: www.fema.gov .
- The victim/borrower has to provide proof of permanent residence in the disaster area and proof of destruction of residence with the following recommended documents:
 - Proof of permanent residence: valid driver's license, voter registration card, or utility bills;
 - Proof of destruction of residence: an insurance report, an inspection report by an independent fee inspector or government agency (FEMA), or conclusive photographic evidence showing the destruction or damage.

The following properties are eligible: one unit detached homes, approved condominium projects, or spot loan condominiums. (Two, three, and four unit properties are not eligible to be purchased in this program.)

Closing costs and prepaids can be paid by the buyer, seller, Originating Agent, or through the THDA Great Choice Plus second mortgage loan program.

Standard FHA and THDA underwriting guidelines apply for qualification.

4. THDA will not accept applications from any applicant whose credit score is below 640. Borrower(s) with no credit scores, however, may be manually underwritten using non-traditional credit guidelines in accordance with FHA, VA or Rural Development requirements.
5. The total debt to income ratio must not exceed 45%. Debt to income ratio for manual underwriting must not exceed 43%.
6. Other Considerations
 - a. A Gift of Equity may be considered by THDA on a case-by-case basis on an existing home or new construction under certain circumstances. The terms of the Gift of Equity must be stated in the sales contract and must be from an immediate family member. Immediate family member is defined as parents, siblings and grandparents. If the home is proposed or under construction, the maximum loan cannot exceed the borrower's actual cost of construction plus the borrower's actual cost of the lot, both of which must be verified. THDA reserves the right to ask for or require additional documentation on any loan with a Gift of Equity.
 - b. For transactions involving estate sales wherein the Applicant is an heir, the maximum loan amount must be calculated after deducting the Applicant/heir's anticipated share of the sale proceeds.

D. Security

All THDA loans must be secured by a first lien on the property. In addition, at the option of the borrower, a Great Choice Plus loan for DPA/closing costs assistance may be provided. All Great Choice Plus loans must be secured by a second lien on the property.

E. Loan Payment Terms

1. Great Choice

Great Choice loans must be fully amortized, with level payments, and must be for a term of 30 years. If a 30 year loan term exceeds the economic life of the property, as provided in the appraisal report, THDA may not approve the loan.

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 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 45%.
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.

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.