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**ORIGINATING AGENTS GUIDE
REVISION 137**

September 21, 2018

Remove and discard:

Replace with enclosed:

Page 3 (Revised 03/22/18)	Page 3 (Revised 10/01/18)
Page 24 (Revised 02/24/18)	Page 24 (Revised 10/01/18)
Page 25 (Revised 02/24/18)	Page 25 (Revised 10/01/18)

EFFECT OF CHANGE

Effective October 1, 2018, THDA will require pre-purchase Homebuyer Education on all mortgage programs, including THDA's Great Choice first mortgage loan. Beginning October 1, 2018, all loan applications must include pre-purchase certificate when submitted to THDA

1.4. CURRENT THDA LOAN PROGRAMS

A. Great Choice Loan Program

This program is designed for low and moderate income borrowers. Great Choice offers a low interest rate loan secured by a first mortgage with the option of down payment and closing cost assistance to a maximum of 5% of the purchase price at a 0% interest rate, deferred payment, forgivable second loan secured by a second deed of trust. THDA allows the following loan types: FHA, USDA, and VA at the maximum loan limits based on insurer or guarantors guidelines. THDA also allows conventional uninsured loans with a maximum loan to value of 78%.

Maximum Household Income	Varies by county
Maximum Acquisition Cost (Including all incidentals)	Varies by county
Maximum LTV	Subject to FHA, VA, and USDA/RD Guidelines. Conventional Loans 78% LTV or less.
Interest Rate	4.625% fixed rate, subject to change
Loan Term	30 years
Loan Types	FHA, VA, USDA/RD, Conventional
Mortgage Insurance or Guarantee	As required by loan type
Buydowns	Not allowed
Assumable	Subject to qualifying
Pre-Payment Penalty	No penalty
Subject to Recapture	Yes
Required Reserve	As required by loan type
Minimum Investment	As required by loan type
Closing Costs	May come from borrower, seller, a gift, or as required by loan type
Down Payment	As required by loan type
First Time Homebuyer Rule	Borrower must not have an interest in their primary residence within 36 months of application unless the property to be financed with the loan is in a targeted area or the borrower meets the Veteran's exemption. (See THDA website for targeted areas.)
Homebuyer Education	Required
Origination Fee	Up to 2% maximum

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 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 GFE and Disclosure of Loan Terms.

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 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.

C. 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.

D. Homebuyer Education-HHF DPA Program

Great Choice HHF and Homeownership for the Brave HHF borrowers are required to obtain pre-purchase and post-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 the loan is required to obtain pre-purchase and post-purchase homebuyer education prior to receiving THDA's commitment for the loan to close. The following formats are available for Homebuyer Education:

1. Face-to-Face
 - A minimum of eight hours of classroom education covering pre-purchase and post-purchase
 - All available in-person classes are available on the THDA HBE Calendar
 - Agency may choose to offer hands-on workshops for the borrower to attend after closing. Agency will provide details.
2. Online Education
 - A minimum of one hour of individual counseling paired with THDA's approved eHomeAmerica pre-purchase and post-purchase education course
 - The borrower may access the course via THDA's website (HHF-DPA link)
 - The borrower will select an HBEI Provider and pay a fee during the online registration process. Each course will require separate payment; registration is only completed once.
 - Within 24-48 hours of completing both courses, borrower will be contacted by the HBEI Provider to schedule the one hour follow-up session. The session provides follow-up counseling on the test questions and additional counseling regarding the customer's budget and responsibilities as a homeowner.