Today's Topic:
THDA Underwriting- Sheila Gunsell

Tennessee Housing
Development Agency

THDA Overlays

Bankruptcies/Foreclosures

3 Years from foreclosure sale date
2 Years from Chapter 7 Bankruptcy
1 Year from Chapter 13 Bankruptcy
7 Years from a THDA foreclosure

Tax Liens/Liabilities

Tax Liens must be paid in full
Established payment plans accepted if meets insurer guidelines and timely made

Child Support

Counted toward income eligibility limit if used to qualify, is received frequently and likely to continue for 12 months

Bank Statements

Large or recurring deposits as outlined by insurer/ guarantor's guidelines and AUS findings must explain the funding source

Co-Signers

Not permitted
All persons on the loan must occupy property

MRB Income Limits

All persons 18+ listed on the URLA and liable on the mortgage note
Non-occupant separated spouses verify current residency to ensure household composition, only

Tax Returns

Minimum of 1 year required in all files
IRS Tax Transcripts are acceptable
All attachments and schedules required
Signed/dated 4506-C required for borrowers
Self Employed:
Minimum of 2 years required and Year-to-date P & L
All schedules and attachments

3 Year Residency

3 years on URLA to verify FTHB

Calculating MRB Income

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"Overtime earnings, fees, tips, bonus, shift differential and other compensation for personal services if the borrower has received this income for the past two years and it is reasonably likely to continue. Periods of Overtime, Bonus, or Tip Income <u>less than two years</u> may be considered if the Mortgagee documents that the Overtime, Bonus, or Tip Income has been consistently earned over a period of not less than one year and is reasonable likely to continue. If used for qualifying purpose, it must be used for MRB Income purpose.

- **FHA Guideline language gives the Underwriter discretion if income received for a period over 1 year but less than 2.**
- **If the income is counted for qualifying it must be counted**

Calculating MRB Income

May differ from Qualifying Income

Income of the mortgagor (or mortgagors) and any other person who is expected ***both*** to live in the residence being financed and to be secondarily liable on the mortgage.

The Applicant cannot have, at the time of application or at closing, an MRB Income greater than the applicable MRB Income Limit.

Income reasonably expected over the next 12 months based on past income should be considered. Typically the mortgage industry considers past = 24 months, however, get with your UW for insurer guidelines if needed for qualification purposes.

MRB Income is the total annual gross income, earned and unearned, from all consistently received sources,
before taxes or other deductions, received by the Applicant(s).

Examples of Differing Income
Child Support, Alimony, SSI
If received consistently, must be counted regardless if used for Qualifying.

Loan Estimates, Closing Disclosures & TRID- Jennifer GreenToday's Topic:

Tennessee Housing Development Agency

Lending Regulations

- **Truth in Lending Act (TILA)**: Applies to most types of consumer credit and was enacted to protect the consumer and allow for better informed decisions by requiring the clear disclosure of lending terms.
- **Real Estate Settlement Procedures Act (RESPA)**: Enacted to protect buyers and sellers from abusive practices, such as a referral fees and kickbacks, and to provide consumers with clearer disclosures of settlement costs.
- **TILA-RESPA Integrated Disclosures Act (TRID)**: Requires disclosure of terms and fees within a specific timeframe and combines several previously used disclosure documents into two: the Loan Estimate and Closing Disclosure. There are 6 TRID data points required for a complete application: Name, Income, SSN, Subject Property Address, Property Value and Loan Amount.
- **Equal Credit Opportunity Act (ECOA)**: Prohibits discrimination in making a credit decision or discouraging applicants on the basis of Age, Race, Color, Sex, Martial Status, National Origin, Religion, receipt of public assistance and exercising rights under the Consumer Credit Protection Act (CCPA). This law impacts every phase if the lending process.
- **Fair Housing Act (FHA):** Prohibits discrimination in the sale, rental, and financing of a property on the basis of Disability, Familial Status, Sex, National Origin, Race, Color, and Religion. HUD also considers Sexual Orientation, Gender Identity and Marital Status as protected groups for housing.
- **Home Mortgage Disclosure Act (HMDA):** Requires financial institutions to provide data, such as Race, Ethnicity and Sex, in a report quarterly and annually on any loans originated, purchased or denied. The purpose of this law is to identify prohibited trends in institutional lending.

Breaking down TRID

- Why is it important to consumers?
- Why is it important to lenders?
- Who oversees it?

What is the LE, CD and Change of Circumstance?

- Loan Estimate: A three-page document providing estimated costs and payments associated with the loan within 3 days of application.
- Closing Disclosure: A five-page document that provides the final costs and payments of the loan.
- Change of Circumstance: Results from a change impacting the loan and can reset fees and tolerances. There are six allowable changes in circumstance.

Fees and Tolerances

0% Tolerance

- Section A
- Section B
- Section C - Affiliate
- Section E – Transfer Taxes/Stamps

10% Tolerance

- Section C – Non-Affiliate Provider on SPL
- Section E – Recording Fees

No Tolerance

- Section C – Provider not on SPL
- Section F
- Section G
- Section H