



**Reinstatement Only Program  
(ROP)**

**December 2020**

## TABLE OF CONTENTS

SECTION 1: TENNESSEE HOUSING DEVELOPMENT AGENCY .....	2
1.1 COMMUNITY PROGRAMS DIVISION .....	2
1.2 HOURS OF OPERATIONS AND HOLIDAY SCHEDULE.....	2
SECTION 2: ROP LOAN INTRODUCTION .....	2
SECTION 3: QUALIFYING A HOMEOWNER TO PARTICIPATE IN ROP .....	3
3.1 HOMEOWNER ELIGIBILITY .....	3
3.2 CALCULATING HOUSEHOLD INCOME & THE QUALIFYING REDUCTION IN INCOME.....	3
SECTION 4: OTHER ROP QUALIFYING REQUIREMENTS .....	8
4.1 PROPERTY ELIGIBILITY .....	8
4.2 ELIGIBLE LOAN TYPES AND TERMS .....	8
SECTION 5: ROP PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS .....	9
5.1 OVERVIEW .....	9
5.2 VERIFICATIONS.....	9
5.3 DEBTS, OBLIGATIONS AND OTHER EXPENSES.....	10
SECTION 6: SUBMITTING A ROP APPLICATION FILE TO THDA.....	10
6.1 APPLICATIONS .....	10
6.2 REQUIRED DOCUMENTS.....	10
6.3 THDA UNDERWRITING DECISIONS .....	11
6.4 COMMITMENTS.....	12
6.5 FUNDING ROP LOAN.....	13
SECTION 7: CLOSING A ROP LOAN .....	13
7.1 CLOSING .....	13
7.2 REQUIRED LOAN DOCUMENTS .....	13
7.3 OTHER REQUIRED DOCUMENTATION .....	13
7.4 OTHER REQUIREMENTS .....	14
7.5 CLOSING COSTS .....	14
SECTION 8: SERVICING ROP LOANS .....	14
8.1 SERVICER.....	14
SECTION 9: ADDITIONAL INFORMATION.....	14
9.1 REPORTING ALLEGATIONS OF FRAUD.....	14
SECTION 10: ROP LOAN FORMS AND INSTRUCTIONS .....	15
10.1 OVERVIEW .....	15
10.2 USE OF FORMS .....	15

**SECTION 1: TENNESSEE HOUSING DEVELOPMENT AGENCY**

**1.1 COMMUNITY PROGRAMS DIVISION**

The Community Programs Division has day-to-day operational responsibility over the processing, underwriting and closing of the loans under the Reinstatement Only Program. All correspondence should be directed to:

Community Programs Division  
Tennessee Housing Development Agency  
502 Deaderick Street, Third Floor  
Nashville, Tennessee 37243

General Information..... (855) 890-8073

Email..... [ROP@thda.org](mailto:ROP@thda.org)

**1.2 HOURS OF OPERATIONS AND HOLIDAY SCHEDULE**

The Community Programs Division hours of operation are 8:30 a.m. until 4:30 p.m. Central Time, Monday through Friday. The Community Programs Division will be closed on official State holidays, which can be found at <https://www.tn.gov/about-tn/state-holidays.html>

**SECTION 2: ROP LOAN INTRODUCTION**

The Reinstatement Only Program (“ROP”) is a foreclosure prevention program administered under the Keep My TN Home Foreclosure Prevention Program (“KMTH Program”). The KMTH Program was implemented by the Tennessee Housing Development Agency (“THDA”) and is funded by the U.S. Department of the Treasury (“Treasury”). This Reinstatement Only Program Guide (“ROP Guide”), together with all subsequent revisions, modifications or updates provided by THDA, contains information about ROP’s specific requirements for the loans submitted, processed, and closed by THDA under ROP. THDA may revise, modify, or update this ROP Guide from time to time. THDA will post such changes to its website at [www.keepmytnhome.org](http://www.keepmytnhome.org).

Eligible low-income and moderate-income Tennessee homeowners, who are facing a financial hardship through no fault of their own, which resulted in a loss of income due to the death of a spouse, divorce, unemployment or underemployment may apply for a Reinstatement Only Program Loan (“ROP Loan”) to pay the arrearages necessary to reinstate the first mortgage loan and, if applicable, second mortgage loan for their sole residence (“Property”). The financial hardship must have occurred after March 1, 2020 and must have resulted in a ten percent (10%) reduction in income at the time of the hardship. Homeowners must continue making the monthly mortgage payments and will therefore be required to demonstrate the ability to make such payments by verification of income or benefits such as wages, child support, SSI benefits, foster care, etc.

ROP Loans will be processed, underwritten, and closed by THDA. The entity servicing an ROP Loan (“Servicer”) shall apply all loan proceeds, via a one-time disbursement of up to Twenty Thousand Dollars (\$20,000.00), to fully reinstate the first mortgage loan and, if applicable, the second mortgage loan, and towards eligible related expenses, including, but not limited to, the principal, interest, taxes, insurance, corporate advances, late fees and other fees required to bring the loan(s) current. An ROP Loan may not be used to pay taxes or homeowner’s insurance that are not currently escrowed by the Servicer, satisfy existing consumer debt of homeowners, or to make payments that would result in cash to homeowners.

<b><u>ROP Loan</u></b>	
<b>Available</b>	Statewide
<b>Maximum Household Income</b>	\$98,760.00
<b>Maximum Principal Balance for Recast</b>	Maximum unpaid principal balance of first mortgage loan not to exceed \$300,000.00
<b>Loan Limits</b>	Maximum ROP loan amount not to exceed \$20,000.00
<b>Loan To Value Limits (LTV)</b>	No LTV requirements for ROP
<b>Interest Rate</b>	0%
<b>Loan Term and Forgiveness Feature</b>	5 years, loan is forgiven 20% per year (as long as there is no default)
<b>Loan Type</b>	Conventional
<b>Sole Residence</b>	Must be a 1 to 4 unit single-family residence, located in Tennessee, occupied by homeowner(s) as their sole residence
<b>Pre-Payment Penalty</b>	No penalty
<b>Due on Sale</b>	Yes
<b>Subordinations</b>	Allowed for rate term (rate reduction only)

### **SECTION 3: QUALIFYING A HOMEOWNER TO PARTICIPATE IN ROP**

THDA shall determine eligibility for each ROP Loan in accordance with this section.

#### **3.1 HOMEOWNER ELIGIBILITY**

##### **A. Eligibility Requirements**

To be eligible, all of the following criteria must be met. If a homeowner applicant or co-applicant (defined hereafter) is separated from their spouse, they will be treated as married, and together with the spouse, must meet all ROP Program requirements. A separation agreement is not sufficient to waive this requirement. The spouse is considered a non-qualifying spouse and must sign the Deed of Trust at the ROP Loan closing, so that the marital rights of the separated spouse are encumbered by the ROP Deed of Trust. The following define an eligible (“Homeowner”) applicant:

1. Be a resident of the State of Tennessee and the United States;
2. Occupy the Property as their sole residence;
3. Must be eighteen (18) years or older and possess and demonstrate the legal capacity to incur the ROP debt (cannot be judged incompetent or have had minority removed by judicial process);
4. Must possess legal title to an ROP eligible Property;

5. Be the obligor under the note evidencing the mortgage loan(s);
6. Have a qualifying hardship that occurred on or after March 1, 2020 where the Property was purchased prior to the hardship;
7. Have a mortgage loan that became delinquent no more than a month before the eligible hardship;
8. Suffered a loss of income equal to or greater than 10% due to a divorce, death of spouse or unemployment/underemployment (a "hardship");
9. Provide a financial hardship affidavit with appropriate documentation as to the cause of their hardship.
  - (a) If the hardship is underemployment, copies of paystubs showing the reduction of work hours or reduced wages/pay cut or verification of prior employment at a higher pay scale and/or other documentation requested by THDA must be provided.
  - (b) If the hardship is unemployment, a copy of the separation letter from the prior employer or an unemployment benefit letter issued by the Tennessee Department of Labor and Workforce Development must be provided.
  - (c) If the hardship is death of a spouse, the death certificate and/or obituary must be provided.
  - (d) If the hardship is divorce, the recorded divorce decree/recorded marital dissolution agreement (MDA) must be provided. The divorce must have been finalized after March 1, 2020.
10. Have a monthly Principal, Interest, Taxes, Insurance (PITI) payment due under the first mortgage loan and the second mortgage loan (if applicable) that does not exceed 45% of the monthly qualifying income of the person(s) obligated under the note evidencing the mortgage loan after the loss of income due to the hardship. There is no minimum housing ratio; and
11. Meet credit-underwriting standards as determined by this ROP Guide in conformance with THDA requirements included in Section 5;
12. Not have more than 6 months of PITI reserves in liquid assets.

## **B. Exclusions**

The following scenarios make Homeowners ineligible for ROP:

1. The unpaid principal balance of the first mortgage loan is greater than Three Hundred Thousand Dollars (\$300,000);
2. Any adult household member on title for the Property is a non-legal U.S. resident;
3. Any adult household member on title for the Property received assistance from the HHF ROP in the last 12 months;
4. Any adult household member on title for the Property is currently in bankruptcy;
5. Any adult household member on title for the Property has a delinquent subordinate mortgage loan, unless ROP funds can reinstate the subordinate mortgage loan along with first mortgage loan;
6. Any adult household member on title for the Property is in default on any federal debt that appears on Title Review or other documentation in file;

7. Any adult household member on title for the Property has been convicted within the past 10 years of felony larceny, theft, fraud, forgery, money laundering or tax evasion in connection with a mortgage or real estate transaction;
8. Any adult household member on title for the Property has a seller-funded, privately held first or second mortgage loan;
9. Property is within 14 business days of foreclosure, unless Servicer agrees to stop the foreclosure process;
10. Any adult household member on title for the Property is in a debt management program that includes the first mortgage loan;
11. Any adult household member on title for the Property or their spouse, whether or not the spouse occupies the Property, voluntarily left their employment or voluntarily had work hours reduced;
12. The first mortgage loan was refinanced after the qualifying hardship occurred;
13. Any adult household member on title for the Property owns two or more properties, with the exception of vacant land, as the other property is considered an asset that could be used for reserves. This includes residential and commercial property; or
14. Property is subject to a reverse mortgage.

### **3.2 CALCULATING HOUSEHOLD INCOME & THE QUALIFYING REDUCTION IN INCOME**

#### **A. Income Limits**

The maximum household income for households not on a fixed income cannot exceed Ninety-eight Thousand, Seven Hundred Sixty Dollars (\$98,760.00).

#### **B. Household Definition**

Household, for purposes of determining Household Income for an ROP Loan, includes all adult household members, whether or not they are on title to the Property, and any spouse who is absent and/or separated, regardless of whether the spouse occupies the Property.

#### **C. Household Income Definition**

Household Income is the total annual gross income, earned and unearned, from all sources, before taxes or other deductions, received by the Household as defined in Section 3.2B above, less only items noted in “Exclusions from Household Income” below.

#### **D. Household Income Inclusions**

Household Income includes all full-time, part-time, temporary, and unearned income for the Household including, but not limited to:

1. Wages, whether hourly, salary, or other;
2. Overtime earnings, fees, tips, and other compensation for personal services;
3. Bonuses, commissions, vacation pay, shift differential, and holiday pay;

4. All non-taxable Social Security payments, SSI etc.;
5. Interest, dividends, and other net income from any kind of real or personal property. Market rate will be used if the interest rate is not on bank statement;
6. Periodic, determinable allowances such as alimony, child support, and other recurring payments or gifts from persons who will not reside in the Property;
7. Periodic payments from annuities, insurance policies, pensions, retirement funds, royalties, sick pay, trust income, disability, death benefits, or other type of periodic payments, including lump sum payments for the delayed start of a periodic payment (except Social Security and SSI);
8. Armed Forces pay, including regular pay, special pay and allowances (excluding special pay for hazardous duty). Armed forces pay for a head-of-household or spouse is always included, whether they are living in the household or not;
9. Payments in lieu of earnings, such as disability compensation, worker's compensation, and severance pay (except lump sum payments as noted in "Household Income Exclusions");
10. Welfare assistance;
11. Benefit and other non-earned income, including amounts paid directly to or on behalf of minors and full-time students;
12. Net rental income; and
13. Any other source of income, except as noted in "Household Income Exclusions."

**E. Household Income Exclusions**

Household Income does not include:

1. Earned income from employment of children and foster children under age 18, however, benefits and other non-earned income (child support, SSI benefits, foster care, etc.) paid directly to or on behalf of minors and full-time students is counted as Household Income;
2. Amounts that are specifically for, or in reimbursement of, the cost of medical expenses for a household member or dependent care expenses;
3. Income of a live-in aide;
4. Student financial assistance (educational grants, scholarships, educational entitlements, work-study programs, and financial aid packages) paid directly or indirectly to the student or to the educational institution;
5. Earned income of full-time students 18 years old or older who can be claimed as a dependent by a household member. Earned income of a head-of-household or spouse who is a full-time student must be included in Household Income;
6. Armed Forces special pay for exposure to hazardous duty;

7. Earned Income Tax Credits;
8. Amounts received that are reimbursements of a training program funded by HUD, including compensation that is a component of a state or local employment training program with clearly defined goals and objectives, the duration of which is for a limited period, determined in advance;
9. Amounts received by a disabled person that are disregarded for a limited time for purposes of Supplemental Security Income (SSI) eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
10. Amounts received by a participant in a publicly assisted program which are specifically for or in reimbursement of out-of-pocket expenses (such as special equipment, special clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program, such as the Community Work Experience Program, or the Employment Search Program. This exemption includes volunteer fire-fighters;
11. Temporary, sporadic, or nonrecurring income, including gifts;
12. The value of Food Stamps; or
13. Lump sum additions to assets, such as inheritance, insurance payments (including health and accident insurance and worker's compensation payments), capital gains, settlement for personal or Property loss, and deferred periodic payments received in a lump sum from Supplemental Security Income (SSI) and Social Security benefits. Interest and dividends may be excluded at the discretion of the underwriter.

#### **F. Qualifying Reduction of Income**

The 10% Qualifying Reduction of Income is a separate calculation from the Household Income and is figured based on the total income for all note holders obligated under the note for the first mortgage loan. However, the income of a divorced spouse that no longer occupies the Property will not be included in the calculation. Married note holders that are separated, but not divorced, must supply all income documentation even if one of them is not occupying the Property.

To establish the reduction, income from all sources, less excluded income, prior to the date of the hardship will be calculated. All income during the 60-90 days following, or longer if necessary (with supportive documentation) will be calculated. The difference between these two calculations will be the determination for qualifying.

Child support/alimony that is court ordered, but not received will not be used in this calculation.

Note holders that are self-employed must show a reduction of gross income of the self-employed business through tax returns and bank statements dated before and after the eligible hardship occurred. Additional months of bank statements may be requested at underwriter discretion. Self-employment income must be evidenced for a period of 24 months prior to hardship.



## **SECTION 4: OTHER ROP QUALIFYING REQUIREMENTS**

### **4.1 PROPERTY ELIGIBILITY**

#### **A. Property Eligibility**

To be eligible, the Property must have been purchased prior to the date of the qualifying hardship and must meet all of the following requirements.

1. The Property must be one of the following:
  - (a) Existing single family, 1 to 4 unit home; or
  - (b) A HUD approved double-wide manufactured home permanently attached to a foundation (in compliance with HUD Manual 4930.3, “Permanent Foundations Guide for Manufactured Housing”), with wheels, axles, towing tongue and running lights removed. If any portion of a residence includes a manufactured home, the residence is classified as a manufactured home for THDA’s purposes. The manufactured home and the land on which it is located must be titled and assessed as real property. Homeowners must have title to the land to which the manufactured home is affixed. A copy of the Affixation Affidavit will be requested.

#### **B. Appraisals**

A full Uniform Residential Appraisal Report (URAR) appraisal is not required for this ROP. A current copy of the local Tax Assessor’s value of the property or a property value from an online service (such as Zillow.com) may be used for current market value purposes.

### **4.2 ELIGIBLE LOAN TYPES AND TERMS**

#### **A. Types of Loans**

Each ROP Loan is a conventional loan.

#### **B. Maximum Loan Amount**

The maximum ROP Loan amount may not exceed Twenty Thousand Dollars (\$20,000.00).

#### **C. Security**

All ROP Loans must be secured by a recorded deed of trust encumbering the property.

#### **D. Loan Payment Terms**

The ROP Loan term is 5 years. No monthly payments are required, however, the ROP Loan is due on sale. The ROP Loan is forgiven 20% per year on the anniversary date of the note as long as there is no default under the loan.

#### **E. Prepayment Penalty**

There will be no prepayment penalty on ROP Loans.

**F. Late Charge**

Late charges are not assessed.

**G. Assumptions**

ROP Loans are not assumable and are due on sale or cash-out refinance.

**H. Subordinations**

Subordinations are allowable when the original mortgage loan is being refinanced to reduce the mortgage loan's interest rate. Cash out of the rate reduction refinance may not exceed 1% of the loan amount.

**I. Origination Fees and Discount Points**

Origination fees and discount points are not allowed.

**SECTION 5: ROP PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS**

**5.1 OVERVIEW**

**A. Disclosures**

Homeowners must provide all disclosures from all adult household members, title holders, or spouses, as requested by THDA, to comply with applicable Federal and State law or regulations.

**B. Credit Requirements**

The following credit underwriting guidelines shall apply to ROP Loans, in addition to standard underwriting guidelines:

1. Each adult household member that occupies the Property and appears on title to the Property must have a valid Social Security Number.
2. Such household members are considered ("Co-applicants") and must be qualified the same as the primary Homeowner applicant.
3. Co-applicants must sign the Promissory Note and Deed of Trust.

**C. Age of Credit Documents**

All credit documents must be within 30 days of application when submitted to THDA for underwriting. Prior to approval, assets and income documentation must be within 60 days.

**5.2 VERIFICATIONS**

**A. Employment Verifications**

THDA may perform verbal or written verifications of employment when deemed necessary, at THDA's sole discretion.

**B. Fixed Income Verifications**

The original award letter and/or a current benefits statement must be provided at application.

**C. Self-Employment Income Verifications**

Proof of self-employment income must be provided for a period of 24 months. THDA staff will verify self-employed income through tax returns, profit and loss statements, and or bank statements.

**D. Deposit Verifications**

Two months of the most recent bank statements must be submitted on all liquid asset accounts. Any explanation of deposits outside of wages larger than Five Hundred Dollars (\$500.00) or recurring is required.

**E. Verification of Income**

The most recent tax returns must be submitted for verification of income for everyone included in the Household Income. Self-employed applicants are required to provide a minimum of two years of tax returns. THDA, at its sole discretion, may request additional tax returns.

**5.3 DEBTS, OBLIGATIONS AND OTHER EXPENSES**

**A. Bankruptcy (Chapter 7 and Chapter 13)**

Applicants currently in bankruptcy are not eligible for ROP. Any bankruptcy must be discharged. If the first mortgage loan was included in the bankruptcy, it must be re-affirmed prior to application.

**B. Federal or State Tax Liens, Tax Arrearages**

All property tax liens or arrearages must be paid in full, prior to closing. An acceptable explanation from the Homeowner will be required. Federal Tax liens cannot be included in funding, which may exclude the Homeowner from ROP.

**SECTION 6: SUBMITTING AN ROP APPLICATION FILE TO THDA**

**6.1 APPLICATIONS**

To apply for an ROP Loan, a Homeowner must apply electronically through the ROP Application Portal. The Homeowner must present accurate and complete information before THDA will review the file. A complete application must include a valid email address and phone number for the Homeowner. Information withheld or misrepresented may void a Commitment or, if discovered subsequent to loan closing, would result in a default under the ROP Note. All documentation will be uploaded through the ROP Application Portal that is located at [www.KeepMyTNHome.org](http://www.KeepMyTNHome.org).

**6.2 REQUIRED DOCUMENTS**

**A. Loan Application**

Homeowner must submit an electronic loan application through [www.KeepMyTNHome.org](http://www.KeepMyTNHome.org), along with the required documents, prior to review.

**B. ROP Hardship Affidavit**

The original executed and notarized ROP Hardship Affidavit must be received as part of the loan application. The individual who suffered the hardship must sign the ROP Hardship Affidavit.

**C. Final Divorce Decree/Marital Dissolution; Court Ordered Child Support; SSI, Death Certificate, Obituary or Other Assistance**

Include copies of any or all of these documents, as applicable.

**D. Verification of Employment; Most Recent Pay Stub; Verification of LTD Benefits**

Include copies of any or all of these documents, as applicable. A non-qualifying spouse must provide a current pay stub with verification of hire date.

**E. Tax Returns**

Include copies of signed and dated Federal Income Tax Returns for the most recent tax year for any non-qualifying spouse and all household members 18 years or older who are required to file a Federal Income Tax Return.

**F. Two Months Most Recent Bank Statements**

Include complete bank statements for the two most recent months from the date of application for all accounts. This includes any and all liquid asset accounts for all adult household members and/or spouse. Additional bank statements may be requested at underwriter discretion.

**G. First Mortgage Loan Servicer Documentation**

Statements must be provided for all loans secured with deeds of trust encumbering the property. The servicer's name, address, and borrower's loan number(s) must be provided to THDA at application.

**H. ROP Terms and Conditions**

The ROP Terms and Conditions must be signed by Homeowner and all Co-applicants and delivered to THDA at closing.

**I. ROP Third Party Authorization**

Third Party Authorization must be signed and dated by Homeowner and all Co-applicants.

**J. ROP Owner's Affidavit**

Owner's Affidavit must be completed, fully executed, notarized, and submitted with loan application by Homeowner and all Co-applicants.

**K. 4506 T Form**

4506T form must be completed and executed by Homeowner and all Co-applicants. The form must be received with initial application and may be requested again at closing.

**6.3 THDA UNDERWRITING DECISIONS**

THDA Underwriters review each application file (original, update or re-submission) and may:

1. Approve the application file without conditions, with prior to closing conditions or with

conditions that must be satisfied when the ROP Loan is closed; or

2. Request additional documentation from the Applicant as determined by THDA in its sole discretion.

## **6.4 COMMITMENTS**

### **A. Application Approval**

An application file is not approved until a written approval is issued by THDA (“Commitment”) by way of email to the Homeowner.

### **B. Commitment Term**

The Commitment will expire simultaneously with the quote provided by servicer.

### **C. Commitment Conditions**

Commitments may be conditioned by THDA as follows:

1. Commitments may be issued with conditions that must be satisfied in a manner satisfactory to THDA before the ROP Loan can be closed. All documents needed to clear all prior to closing conditions must be submitted simultaneously and must include the name of the applicable THDA Underwriter, the name of the Homeowner, and the ROP Loan number.
2. Commitments may be issued that contain the term “Receipt, With Closing Documents,” which means these conditions must be satisfied at closing. Documentation acceptable to THDA to satisfy closing conditions must be included with the closed loan file when shipped to THDA. Excluding required closing conditions may result in a delay in funding of or cancellation of the ROP Loan.

### **D. Update of Application or Commitment**

1. The Homeowner shall immediately notify THDA and shall submit updated documentation if, prior to closing, there are any changes in household composition, income, or credit or if the application supporting documents have expired.
2. If any of the events in D.1. above occur after the Commitment is issued, the application file and the Commitment must be updated.

### **E. Void Commitments**

A Commitment is void under the following circumstances:

1. All Commitment conditions under paragraph C. above are not satisfied, as determined by THDA in its sole discretion.
2. The Property described in the closing documents differs from the property indicated in the Commitment.

## **6.5 FUNDING ROP LOAN**

Proceeds of ROP loans are delivered directly to the Servicer. Funds will be disbursed by THDA on a weekly or monthly basis by ACH to the Servicer. A Homeowner may not receive proceeds from the loan personally.

## **SECTION 7: CLOSING A ROP LOAN**

### **7.1 CLOSING**

The assigned Closing Agent must close all ROP loans in compliance with the Commitment and this ROP Guide. All documents must be notarized at the time of closing by a State of Tennessee appointed notary. No closing fees are to be assessed to the Homeowner. A power of attorney will not be accepted, without prior approval from THDA.

### **7.2 REQUIRED LOAN DOCUMENTS**

#### **A. Loan Documents**

The most recent versions of the ROP Promissory Note and the ROP Deed of Trust must be used, including any applicable riders. The assigned Title Company will prepare documents and their Closing Agent will coordinate the closing of the loan with the Homeowner. Any non-qualifying spouse or non-occupying title holder must sign the Deed of Trust.

### **7.3 OTHER REQUIRED DOCUMENTATION**

#### **A. Counseling**

Either the Homeowner or one of the Co-applicants is required to attend a counseling session through a Certified Counselor that is part of THDA's approved Homebuyer Education network. The cost of the counseling session will be paid by THDA through HHF funds. Proof that the counseling sessions were successfully completed must be provided to THDA prior to closing.

The counseling session must cover the following NeighborWorks America Post-Purchase Counseling curriculum that is designed to focus on the following:

1. Preparing buyers for long-term responsibilities;
2. Reinforcing the importance of budgeting and saving;
3. Offering tips for community involvement; and
4. Providing the steps needed during financial hardship.

#### **B. Hazard Insurance**

Homeowners must submit a copy of a hazard insurance policy covering the Property issued in the name of the Applicant by an insurance company licensed to do business in the State of Tennessee. Prior to closing, THDA must be listed on the policy as a lien holder.

The Mortgage Clause for THDA must read as follows:

Tennessee Housing Development Agency - Reference: ROP Loan #  
Its Successors and or Assigns  
502 Deaderick Street, Third Floor,

**C. Commitment Conditions**

Additional documents must be produced as needed to satisfy “closing conditions” specified in the Commitment.

**7.4 OTHER REQUIREMENTS**

**A. Close In The Name Of**

All ROP Loans must be closed in the name of the Tennessee Housing Development Agency.

**B. Net Funds “To Borrower”**

Homeowners may not receive ROP Loan proceeds at closing.

**7.5 CLOSING COSTS**

**Closing Costs and Fees a THDA Borrower May Pay**

Homeowners may not pay any fees or costs normally charged in the market place.

**SECTION 8: SERVICING ROP LOANS**

**8.1 SERVICER**

THDA staff will service the ROP Loans. All payoff or release requests must be sent via email to: [HHFReqs@thda.org](mailto:HHFReqs@thda.org).

**8.2 OCCUPANCY VERIFICATION**

THDA staff will re-certify the Homeowner and Co-applicants annually on the anniversary of the date the Note was executed to verify occupancy. ROP recipients will be required to provide a copy of their Hazard Insurance Policy as evidence of occupancy. THDA, at its sole discretion, may request additional documentation to verify occupancy. Failure to respond to the re-certification request may result in a default of the loan terms.

**SECTION 9: ADDITIONAL INFORMATION**

**9.1 REPORTING ALLEGATIONS OF FRAUD**

THDA staff is required by the THDA Code of Conduct, the Prevention, Detection, and Deterrence of Fraud memorandum, issued by the Internal Audit division, and the Management Antifraud Programs and Controls documents on the intranet, to report any indications of fraud, waste, or abuse in any THDA programs to the Internal Audit division. Alternatively, the State Comptroller’s Office maintains a fraud, waste, and abuse hotline that can be used by anyone with information on potential areas of concern. That number is (800) 232-5454 and is posted conspicuously in various areas of THDA’s offices.

When allegations of fraud are reported or noted, the Internal Audit division must be notified as soon as possible. Upon notification, Internal Audit staff will determine the best course of action to follow to verify or refute the allegations. An investigation may be performed that could include the view of documents, the

obtaining of evidence, interviews with staff or others having information pertinent to the matter, the involvement of other investigators or professionals who may be able to provide expertise, and any other procedures that would aid the auditors. Once an investigation has been completed, the Internal Audit division will prepare a report for the Executive Director, with copies to the Chief Program Officer. The report will include statements concerning whether the allegation was substantiated and whether appropriate action should be taken against the offenders.

Appropriate notification of confirmed allegations and results of investigations should be transmitted to Treasury officials and the office of the Tennessee State Attorney General to ensure that any fraudulent activity is reported as required by the . In addition to fraud reporting, any instances of noncompliance that would have a material effect on THDA's ability to comply with the terms of the Housing Finance Agency Agreement will also be included in notification to Treasury officials.

## **SECTION 10: ROP LOAN FORMS AND INSTRUCTIONS**

### **10.1 OVERVIEW**

THDA requires forms that are in addition to the typical forms utilized in the mortgage industry. Application files and closed loan packages that do not contain fully executed originals of all of the requisite forms will not be accepted by THDA.

### **10.2 USE OF FORMS**

The requisite ROP forms can be found at [www.thda.org/](http://www.thda.org/) and are hereby incorporated as part of this ROP Guide. Alteration of these forms in any way is not permitted.