



Tennessee Renovation Loan Program Guide

April 2018
(Revised May 2019)

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SECTION 1: THDA

1.1 THE GUIDE

This Tennessee Renovation Loan Program Guide, together with all subsequent revisions, modifications, or updates (the “Program Guide”) provided by the Tennessee Housing Development Agency (“THDA”), contains information about THDA’s Tennessee Renovation Loan Program and specific requirements for the loans submitted, closed, and delivered to THDA under the Tennessee Renovation Loan Program (“TRLP”).

THDA may revise, modify, or update this Program Guide from time to time and will notify Tennessee Renovation Loan Program Participants of such changes. THDA may provide notice of changes by posting such changes to its web site at www.thda.org. Other notices required under this Program Guide shall be provided in accordance with the Tennessee Renovation Loan Program Agreement by and between THDA and a Tennessee Renovation Loan Program Participant (the “Program Agreement”).

1.2 HOURS OF OPERATION AND HOLIDAY SCHEDULE

The Single Family Programs Division hours of operation are 8:30 a.m. until 4:30 p.m. Central Time, Monday through Friday. The Single Family Programs Division will be closed on official State holidays which are as follows:

New Year’s Day
Martin Luther King Day
Presidents’ Day
Good Friday
Memorial Day
Independence Day
Labor Day
Columbus Day*
Veteran’s Day
Thanksgiving Day
Christmas Day**

* This holiday may be exchanged for a holiday on the Friday after Thanksgiving.

**Other holidays around Christmas may be announced later.

1.3 SINGLE FAMILY SPECIAL PROGRAMS DIVISION STAFF DIRECTORY

The Single Family Special Programs Division has day-to-day operational responsibility over the origination, processing, and closing of Tennessee Renovation Loans by Tennessee Renovation Loan Participants. All correspondence should be directed to:

Single Family Special Programs
Tennessee Housing Development Agency
ATTN: TRLP
502 Deaderick Street, Third Floor
Nashville, Tennessee 37243

Single Family General Information 615-815-2100

Toll-Free Voice Mail.....1-800-228-8432

Email..... SFSPAsk@thda.org

<u>Name and Title:</u>	<u>Telephone:</u>	<u>Email Address:</u>
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Larisa Stout, Underwriter	615-815-2093	LStout@thda.org
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Eric Hall, Property Standards Coordinator	615-815-2076	EHall@thda.org
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Patrick Adams, Closing and Payments Specialist	615-815-2097	PAdams@thda.org

SECTION 2. TRLP OVERVIEW

2.1 PROGRAM OVERVIEW

THDA will administer the TRLP for eligible homeowners whose homes require approved repairs or renovations. The TRLP goal is to help achieve safe, healthy, livable, and sound housing for eligible homeowners within the state of Tennessee. Tennessee Renovation Loans will be originated by approved TRLP Participants and serviced by Tennessee Housing Development Agency.

2.2 TRLP ELIGIBLE COUNTIES

TRLP will be available to eligible homeowners across the state of Tennessee.

2.3 TRLP LOAN TERMS

Loan Terms	
Maximum Household Income	Varies by county and cannot exceed the county household income limits specified in Section 2.6
Loan Minimum/Maximum	Minimum loan amount \$5,000. Maximum loan amount \$25,000.
Interest Rate	0% fixed rate, deferred payment
Loan Term	5 years (Forgiven 20% per year)
Combined Loan to Value (CLTV)	None Required
Minimum Credit Score	None Required
Primary Residence	Must be a single family (1-4 unit) residence or manufactured home (single or double-wide) occupied by the Borrower/Co-Borrower as their primary residence
Pre-Payment Penalty	No penalty
Due on Sale	Yes
Layering of Funding	Allowed
Loan Reserves	10% of approved loan held for reserves. See Section 2.3(D) for details.

A. Right of Rescission

A Right of Rescission form must be acknowledged by all borrowers and delivered to THDA prior to funding.

B. Assumptions

Tennessee Renovation Loans are not assumable and are due on sale.

C. Layering of Funding

The Tennessee Renovation Loan may be layered with other sources of funding. Some THDA loans or grants may be approved for layering. THDA, at its sole discretion, will determine which grants may be approved for layering.

D. Loan Reserves

THDA will set aside ten percent (10% - \$2,500) of the maximum loan amount for reserves. The reserves will be used to fund unexpected costs that may arise during repairs. These funds will be accessible to fund additional approved activities. Approval to access reserved funds may be granted once successful completion of the first approved activity has been confirmed. Loans in the amount of \$22,500 or more will require proof of funding from other grant programs, loans, borrower's savings, or other funds available from TRLP Participant to cover any unforeseen issues that may arise during repair process.

E. Origination Fees and Discount Points

No Origination Fee or Discount Points may be charged on the Tennessee Renovation Loan.

F. Loan Proceeds

Tennessee Renovation Loan proceeds will be used to pay all acceptable loan fees, inspection fees, repair costs, and other charges approved by THDA, at its sole discretion. Total loan fees and construction costs may not exceed \$25,000.

2.3a FUNDING TERMS

The current TRLP Program allocation of \$2,000,000.00 is available on a first-come, first-serve basis to applicants at a maximum loan amount of \$25,000 per household.

2.4 AUTHORIZED USE OF FUNDS

1. Tennessee Renovation Loans may be made for the following purposes:
 - (a) Repair basic deficiencies in the foundation, roof, electrical system, heating/cooling system, or plumbing system.
 - (b) General property improvements that will preserve, improve, or repair the residence, including: kitchen, bathroom, interior, and exterior.
 - (c) Testing for and remediation of Lead Based Paint Hazards and household mold in residences built before 1978 (a high priority for dwellings with children).
 - (d) Improvements to make the residence more accessible for homeowners with

physical disabilities.

- (e) Improvements to the land or residence to conform to environmental requirements.
- (f) Improvements to reduce energy use and encourage energy conservation.
- (g) Other improvements as THDA may approve in its sole discretion (collectively, these purposes are referred to as “eligible activities”).
- (h) Reserves as required by THDA.

2.5 PROHIBITED USE OF FUNDS

1. A Tennessee Renovation Loan may not be used for the following purposes:
 - (a) To satisfy existing debt of the homeowner.
 - (b) To add a deck, pool, hot-tub, or any upgrade not deemed as an “eligible activity” by THDA.
 - (c) To result in cash out to homeowner.
 - (d) Major rehabilitation or reconstruction.

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2.6. TRLP INCOME LIMITS

Maximum Household Income Limits by County

Maximum Income Limits for New Start Program Tier I					
	1-4 Person	5 Person	6 Person	7 Person	8 Person
ANDERSON	\$36,780	\$39,722	\$42,665	\$45,607	\$48,550
BEDFORD	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
BENTON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
BLEDSOE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
BLOUNT	\$36,780	\$39,722	\$42,665	\$45,607	\$48,550
BRADLEY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CAMPBELL	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CANNON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
CARROLL	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CARTER	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CHEATHAM	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
CHESTER	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CLAIBORNE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CLAY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
COCKE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
COFFEE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CROCKETT	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
CUMBERLAND	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
DAVIDSON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
DECATUR	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
DEKALB	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
DICKSON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
DYER	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
FAYETTE	\$34,980	\$37,778	\$40,577	\$43,375	\$46,174
FENTRESS	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
FRANKLIN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
GIBSON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
GILES	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
GRAINGER	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
GREENE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
GRUNDY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HAMBLÉN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HAMILTON	\$34,200	\$36,936	\$39,672	\$42,408	\$45,144
HANCOCK	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HARDEMAN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689

HARDIN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HAWKINS	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HAYWOOD	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HENDERSON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HENRY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HICKMAN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HOUSTON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
HUMPHREYS	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
JACKSON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
JEFFERSON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
JOHNSON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
KNOX	\$36,780	\$39,722	\$42,665	\$45,607	\$48,550
LAKE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
LAUDERDALE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
LAWRENCE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
LEWIS	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
LINCOLN	\$32,640	\$35,251	\$37,862	\$40,474	\$43,085
LOUDON	\$36,780	\$39,722	\$42,665	\$45,607	\$48,550
MACON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MADISON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MARION	\$34,200	\$36,936	\$39,672	\$42,408	\$45,144
MARSHALL	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MAURY	\$35,160	\$37,973	\$40,786	\$43,598	\$46,411
MCMINN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MCNAIRY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MEIGS	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MONROE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MONTGOMERY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
MOORE	\$34,560	\$37,325	\$40,090	\$42,854	\$45,619
MORGAN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
OBION	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
OVERTON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
PERRY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
PICKETT	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
POLK	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
PUTNAM	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
RHEA	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
ROANE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
ROBERTSON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
RUTHERFORD	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
SCOTT	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689

SEQUATCHIE	\$34,200	\$36,936	\$39,672	\$42,408	\$45,144
SEVIER	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
SHELBY	\$34,980	\$37,778	\$40,577	\$43,375	\$46,174
SMITH	\$33,660	\$36,353	\$39,046	\$41,738	\$44,431
STEWART	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
SULLIVAN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
SUMNER	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
TIPTON	\$34,980	\$37,778	\$40,577	\$43,375	\$46,174
TROUSDALE	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
UNICOI	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
UNION	\$36,780	\$39,722	\$42,665	\$45,607	\$48,550
VAN BUREN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WARREN	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WASHINGTON	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WAYNE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WEAKLEY	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WHITE	\$32,340	\$34,927	\$37,514	\$40,102	\$42,689
WILLIAMSON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430
WILSON	\$39,720	\$42,898	\$46,075	\$49,253	\$52,430

SECTION 3: TRLP LOAN PARTICIPANTS

3.1 TRLP PARTICIPANT ELIGIBILITY REQUIREMENTS

To be an eligible TRLP Participant, an organization must meet the following requirements:

1. Be a non-profit organization that is organized, existing, and in good standing, domiciled in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).

Or

Be organized and existing under the laws of another state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from the other state's Secretary of State dated no more than thirty (30) days prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated no more than thirty (30) days prior to the application date).

2. Have an IRS designation under Section 501(c)(3) or Section 501(c)(4) of the federal tax code. A 501(c)(3) non-profit applicant may not submit an application until they have received their designation from the IRS. A 501(c)(4) non-profit applicant must provide documentation satisfactory to THDA, in its sole discretion, that the non-profit has filed the necessary materials with the IRS and received a response from the IRS demonstrating 501(c)(4) status.
3. Have sufficient experience, as determined by THDA in its sole discretion, in mortgage lending, loan rehabilitation, or home improvement expertise and oversight;
4. Be in good standing with all THDA programs;
5. Have sufficient financial capacity and resources, as determined by THDA in its sole discretion.

All materials submitted to THDA by an organization applying to become a TRLP Participant must be satisfactory to THDA, in its sole discretion. THDA reserves the right to request additional information prior to determining whether any materials submitted are satisfactory and whether an organization qualifies to become or remain a TRLP Participant. Organizations who THDA determines, in its sole discretion, to be qualified and eligible, initially and on a continuing basis, are referred to as "TRLP Participants".

Organizations who are approved by THDA to act as TRLP Participants hereunder shall annually submit acceptable documentation, as determined by THDA in its sole discretion, to remain a TRLP Participant. THDA will not fund any Tennessee Renovation Program Loans to an organization whose status as a TRLP Participant is not current.

The TRLP Participant Application, Checklist, and other required documents are located at www.Thda.org.

3.2 TRLP PARTICIPANT SELECTION PROCESS

A Review Committee, including THDA staff from Internal Audit, Finance, Legal, and Single Family Divisions, will meet on an as-needed basis to review and evaluate TRLP Participant Applications for agencies that do not have a history of working with THDA. The Review Committee will discuss each application and factors deemed relevant. Each applicant will be informed of the Review Committee's decision via email.

Access to submit loans electronically will be provided to the TRLP Participant upon approval.

3.3 TRLP PARTICIPANT WORKING AGREEMENT

The written agreement between a TRLP Participant and THDA, which must be executed before any loan applications will be accepted by THDA for processing (the "Working Agreement"), contains the basic contractual agreements between the TRLP Participant and THDA. The Working Agreement sets forth general terms under which the TRLP Participant is authorized to act on behalf of THDA.

3.4 TRLP PARTICIPANT COMPENSATION

TRLP Participants will earn an Administrative Fee of \$2,500 for each loan funded by THDA. The Administrative Fee will be disbursed after THDA receives a copy of the final inspection report evidencing repair activities were complete.

3.5 TRLP PARTICIPANT OBLIGATIONS

TRLP Participants shall originate and process the Tennessee Renovation Loans strictly in accordance with the requirements set forth in this Program Guide. All TRLP Participants will be limited to a maximum of 10 active loans at one time. THDA will review the TRLP Loans to determine if they meet the TRLP requirements and will issue all approvals or denials.

All Tennessee Renovation Loans shall be originated, processed, and closed for eligible homeowners making improvements or rehabilitation to their primary residence. TRLP Participant shall determine applicant eligibility for each Tennessee Renovation Loan submission in accordance with Section 5.1.

1. The TRLP Participant shall:
 - (a) Include provisions for supportive services to the eligible homeowner;
 - (b) Include locally owned business enterprises as contractors;
 - (c) Include minority and female contractors in solicitations for bids;
 - (d) Obtain a physical inspection of the primary residence that describes all of the eligible activities necessary for the subject property, prior to submitting the TRLP Loan Application for underwriting review;
 - (e) Obtain at least two bids for the proposed eligible activities, each of which must specify a dollar amount for 100% completion of the proposed eligible activities;
 - (f) Ensure all proposed eligible activities are included on the bids; and

- (g) Obtain a final inspection of the primary residence, performed by a licensed inspector or general contractor, upon completion of the work to ensure the eligible activities have been performed in accordance with the requirements of this Program Guide. THDA may require additional documentation or inspections.
2. THDA will review each loan and will determine, at its sole discretion, if the loan meets the requirements of the loan program.
3. THDA will identify which of the repair or improvement activities must be performed by a licensed, insured general contractor pursuant to a fixed price contract between the contractor and the eligible homeowner. All eligible activities must be performed in accordance with applicable local building codes, rehabilitation standards, ordinances, zoning requirements, building permits, and inspections required by the jurisdiction in which the work is being performed.
4. Upon completion of construction, the TRLP Participant shall ensure that the contractor executes a Lien Waiver and a Notice of Completion in accordance with T.C.A. Section 66-11-143 as well as proof that full payment has been received by the contractor performing the eligible activities.
5. In addition to originating, processing, and closing each Tennessee Renovation Loan in accordance with all requirements set forth in this Program Guide, the Tennessee Renovation Loan Participant shall coordinate the disbursements of the proceeds from the Tennessee Renovation Loan with THDA utilizing a draw system.

3.6 TRLP PROCUREMENT PROCESS

Procurement of goods, materials, supplies, equipment, and/or services, shall be made on a competitive basis, including the use of competitive bidding procedures, where practical. If there are no local procurement policies, TRLP Participants must establish their own procedures that conform to the standards stated below.

PURCHASE OF MATERIALS, SUPPLIES, OR NON-PROFESSIONAL SERVICES

For purchase or contract amounts over five hundred dollars (\$500), select qualified vendors or contractors on the basis of two price quotations or competitive bids.

1. Price or cost quotes must be obtained from at least two qualified sources. Informal methods that are sound, appropriate, and documented are allowed for the procurement of supplies, labor, and other necessary services.
2. Price or cost quotes may be obtained electronically (via email or fax) as long as the TRLP Participant keeps a written record in their files showing whom they contacted (company and employee name must be included), the date they were contacted, and the price quoted.
3. The purchase should be made from the lowest and best bidder when possible. If the lowest bid is not accepted, written justification for selecting a higher bid must be provided.
4. In the instance of a sole supplier or when two bids cannot be obtained, appropriate file documentation is acceptable.

PROFESSIONAL SERVICE OR PURCHASE CONTRACTS

TRLP Participant that contracts for services (e.g., general contracting) should develop qualifying criteria and periodically advertise for contractors that meet those criteria. Advertising can be through newspapers or by mailing to at least three firms offering the desired services. Clippings and letters must be retained on file for auditing purposes.

1. A list of the eligible contractors should be maintained and used to obtain the required services.
2. The purchase should be made from the lowest and best bidder whenever possible. If the lowest bid is not accepted, written justification for selecting a higher bid must be provided.
3. If two bids cannot be obtained, appropriate file documentation is acceptable.

MINORITY AND FEMALE CONTRACTOR SOLICITATION

Documentation must show efforts to solicit minority/female participation. A list of minority/female contractors and businesses must be maintained. A statewide directory is available at www.thda.org, if local minority and female owned businesses are not identified.

Supplies, equipment, services, or other items that are less than five hundred dollars (\$500) may be purchased without bids or quotations. Quotes may not be necessary if a qualified vendor is the sole source of the items to be purchased, or in cases of emergency, when immediate delivery is necessary for the entity's continued provision of adequate services.

ENVIRONMENTAL REVIEW

TRLP Program Participants shall comply with all applicable federal, state and local regulations, laws and environmental review policies required for repairs. The TRLP Program Participant is the responsible entity for purposes of environmental review for all repair activities.

LEAD-BASED PAINT

TRLP Program Participants shall comply with all applicable federal, state and local regulations, laws, and policies in effect regarding lead-based paint.

ASBESTOS REQUIREMENT

TRLP Program Participants shall comply with all applicable federal, state and local regulations, laws, and policies required for asbestos removal and disposal. Additional guidance could be obtained at Tennessee Department of Environment and Conservation Division of Air Pollution Control's website: <http://tennessee.gov/environment/permits/asbnot.php>.

SECTION 4: SUBMITTING A TRLP LOAN FOR REVIEW

4.1 SUBMITTING A TRLP LOAN

Once approved, the TRLP Participant may submit a TRLP Loan Application electronically to THDA through the management portal for each borrower applying for the TRLP.

TRLP Participants must present accurate and complete information with each application file. Information withheld or misrepresented may void a Commitment or if discovered subsequent to loan closing, could result in the requirement that the TRLP Participant repurchase the Tennessee Renovation Loan. If, prior to closing, either household composition as first proposed, and/or household income as initially determined has changed or will change prior to closing, TRLP Participant shall immediately notify THDA and shall submit updated loan documentation.

A. Loan Reservation

To reserve TRLP funds, an approve TRLP Participant must submit the TRLP Applicant's basic information to THDA electronically through THDA's secure management portal. TRLP Participants will have 30 business days, from the date of submission, to collect and submit the required TRLP Loan Application documents to THDA for full underwriting review. No exceptions will be made. Failure to submit the required documentation within the 30 days will result in program funds being released and the loan being cancelled.

B. Loan Submission

To submit a loan for underwriting review, a TRLP Participant must submit all documentation required for the TRLP Loan Application electronically through THDA's management portal. All documentation required for underwriting review are listed on the TRLP Loan Application Checklist. No originals will be accepted. Additional loan submission details are provided in Section 6.

The TRLP Loan Application Checklist and other TRLP required forms can be located at www.thda.org.

C. Loan Review

TRLP loans will be originated and processed by the TRLP Participant. THDA will review and underwrite the complete loan package to ensure the TRLP loan meets the program requirements. THDA, at its sole discretion, will issue a Loan Commitment or Denial.

4.2 REQUIRED DOCUMENTS

A. Tennessee Renovation Loan Underwriting Submission Checklist

B. Transmittal Summary (Conventional FNMA/FHLMC)

C. Loan Application (Conventional FNMA/FHLMC)

D. Final Divorce Decree/Marital Dissolution; Court Ordered Child Support; SSI or Other Assistance

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

E. Verification of Employment; Most Recent Pay Stub; Self-Employment

F. Verification of Deposit or Most Recent Bank Statement

G. Appraisal

Enclose evidence of property value using one of the following:

- Tax Assessor's value of the property
- Uniform Residential Appraisal Report
- A combination of Tax Assessor's value of the property and/or other THDA approved property valuation sites may be used.

H. Initial Inspection Report with Bids

Enclose a copy of the initial inspection report, color pictures of all necessary repairs, and a minimum of two (2) bids submitted for the eligible homeowner.

I. Title Opinion

Title Company will issue a Title Opinion that will include the following:

1. Ownership information and any rights to the property
2. Property tax information
3. Full property address and legal description
4. Any liens or judgements listed against the property

4.3 THDA UNDERWRITING DECISIONS

A. Application Review

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

1. Approve the loan application without conditions, with prior to closing conditions or with conditions that must be satisfied when the Tennessee Renovation Loan is closed. An application file is not approved until a written Commitment is issued by THDA; or
2. Request additional documentation from the TRLP Participant as determined by THDA, in its sole discretion; or
3. Deny loan application.

B. Commitment Term

Tennessee Renovation Loan Commitments are issued for a period not to exceed six (6) months. All renovation work is expected to be complete within the six months. Extensions may be

provided, at THDA's sole discretion.

C. Satisfying THDA Commitment Conditions

1. All prior to closing conditions must be satisfied in a manner satisfactory to THDA prior to the Tennessee Renovation Loan closing. Submit all documents needed to clear all prior to closing conditions for each application file simultaneously.

Documents submitted to satisfy prior to closing conditions must include the name of the TRLP Participant, the THDA Underwriter to whom they are being submitted, the name of the applicant, and the Tennessee Renovation Loan number.

2. All closing conditions must be satisfied by the time the Tennessee Renovation Loan is closed. Documentation acceptable to THDA to satisfy closing conditions must be included with the closed loan file when shipped to THDA.

D. Commitment Delivery

THDA will email the commitment to the TRLP Participant.

E. Void Commitments

A Commitment is void under the following circumstances:

1. All prior to closing conditions are not satisfied, as determined by THDA, before the Tennessee Renovation Loan is closed;
2. The loan closes prior to the date of Commitment;
3. The loan closes after the Commitment expiration date without Commitment extension by THDA;

4.4 TRLP LOAN DISBURSEMENTS

TRLP loan proceeds will be held by THDA and disbursed to the TRLP Participant in draws as specified below.

Draw 1 THDA will disburse 1/2 of the loan proceeds to the TRLP Participant. The disbursement for this draw will be scheduled after confirmation of closing is received. The TRLP Participant will disburse funds to all vendors upon completion of services rendered. All vendors who receive payment from a TRLP Participant (for services rendered) will be required to furnish an executed Lien Waiver which will confirm that the vendor received full payment and waives any future lien rights to the property for the amount paid. The Lien Waiver must be provided to THDA prior to future draw requests.

Draw 2 THDA will disburse 1/2 of the remaining loan proceeds to the TRLP Participant once the final inspection report reflecting the work performed is received. This draw will be scheduled after proof that work was completed is received. The TRLP Participant will disburse funds to all

vendors upon completion of services rendered. All vendors who receive payment from a TRLP Participant (for services rendered) will be required to furnish an executed Lien Waiver which will state that the vendor received full payment and waives any future lien rights to the property for the amount paid. The Lien Waiver must be provided to THDA prior to future draw requests.

Draw 3

THDA will disburse the remaining loan proceeds and the TRLP Participant Admin Fee to the TRLP Participant once the Notice of Completion and Lien Waiver are received. The executed Lien Waiver must be provided to THDA within 10 business days of the disbursement of funds. The maximum amount of loan proceeds available for disbursements may not exceed \$25,000. This maximum includes all renovation costs and loan fees.

Loan Reserves

THDA will set aside ten percent (10%) of the maximum loan amount for reserves. The reserve will be used to fund unexpected costs that may arise during repairs. These funds will be accessible to fund additional approved activities. Approval to access reserved funds may be granted once successful completion of the first approved activity has been confirmed.

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SECTION 5: QUALIFYING AN APPLICANT FOR A TENNESSEE RENOVATION LOAN

5.1 ELIGIBLE APPLICANTS

An eligible applicant must meet ALL of the following criteria:

1. Be 18 years or older;
2. Possess and demonstrate the legal capacity to incur the THDA debt;
3. Meet credit underwriting standards as determined by the TRLP Participant in conformance with this Guide;
4. Be a resident of the State of Tennessee and occupy the Property as their primary residence for a minimum of 5 years.
5. Be a U.S. Citizen or permanent alien.

5.2 PROPERTY ELIGIBILITY

A. Eligible Property

To be eligible, an applicant's primary residence must be located in the state of Tennessee and must meet all of the following requirements:

- The applicant's primary residence must be one of the following:
 - (a) Existing single family (1-4 unit) home; or
 - (b) A manufactured home (single or double-wide) permanently attached to a foundation 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 borrower(s) must have title to the land and both the manufactured home and the land on which it is located must be titled and assessed as real property.
 - (c) Subject property must be a minimum of 10 years old. New construction is not eligible for TRLP.

B. Appraisals

All application files submitted for THDA underwriting must include (i) a current copy of the local Tax Assessor's value of the property; or (ii) Uniform Residential Appraisal Report (URAR), completed by an appraiser who is licensed by the State of Tennessee, and who has no financial interest in the transaction.

5.3 HOUSEHOLD INCOME LIMITS

A. Income Limits

The maximum household income shall not exceed the maximum household income limits for the county in which the property is located as specified in Section 2.6 (“Household Income”).

B. Defining Household

A household for purposes of determining Household Income for a Tennessee Renovation Loan, includes all persons currently listed as owners of record on the warranty deed and who occupy the property as their primary residence.

Any non-occupying spouse or owner must provide proof of non-occupancy for a minimum of 6 months.

C. Defining Household Income

The applicant cannot have, at the time of application or at closing, a Household Income, calculated in accordance with this section, greater than the applicable Household Income Limit. Household Income is the total annual gross income, earned and unearned, from all sources, before taxes or other deductions, received by household members as defined in Section 5.3B above, less only items noted in “Exclusions From Household Income” below.

D. Household Income Inclusions

Calculate Household Income for members of the household and include all full-time, part-time, or temporary income:

1. Wages: salary or hourly;
2. Overtime earnings, fees, tips, and other compensation for personal services;
3. Bonuses, commissions, vacation pay, shift differential, and holiday pay;
4. Social Security payments, SSI;
5. Periodic, determinable allowances such as alimony, child support, and other recurring payments or gifts from persons who will not reside in the Property;
6. 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);
7. Armed Forces pay, including regular pay, special pay, and allowances (excluding special pay for exposure to hostile fire). Armed forces pay for a head-of-household or spouse is always included, whether they are living in the household or not;
8. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except lump sum payments as noted in “Exclusions From Household Income”)

9. Welfare assistance;
10. Benefit and other non-earned income, including amounts paid directly to or on behalf of minors and full-time students;
11. Any other source of income, except as noted in “Exclusions From Household Income”.
12. Annual net income from rental (net rental income is calculated at 75% of gross rent). Net income may be taken from tax return Schedule E.
13. Total annual net income from operating a business or profession, including expenditures for business expansion or capital indebtedness, and withdrawal of cash or assets except to the extent the withdrawal is for reimbursement of cash or assets invested in the operation by a household member; an allowance for deduction of straight line depreciation of assets used in the operation is allowed.

E. Household Income Exclusions

When calculating Household Income do not include:

1. Amounts that are specifically for, or in reimbursement of, the cost of medical expenses for a household member;
2. Student financial assistance (educational grants, scholarships, educational entitlements, work-study programs, and financial aid packages) paid directly to the student or to the educational institution;
3. Armed Forces special pay for exposure to hostile fire;
4. Earned Income Tax Credits;
5. Amounts received that are incident to 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;
6. 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);
7. 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 also includes volunteer fire-fighters;
8. Temporary, sporadic or nonrecurring income, including gifts;
9. The value of Food Stamps;

10. 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.

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SECTION 6: TENNESSEE RENOVATION LOAN PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS

6.1 OVERVIEW OF REQUIREMENTS

A. Disclosures

TRLP Participant must make all disclosures required to comply with applicable Federal and State law or regulations.

B. Credit Requirements

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

1. Borrower and occupying Co-Borrower, if applicable, must each have a Social Security Number, be able to document a satisfactory two (2) year history of credit, income and assets;
2. Occupying Co-Borrower, if applicable, must complete a loan application and a complete underwriting of income, credit and assets;
3. Occupying Co-Borrower, if applicable, must also have title to the primary residence and sign the Note and Deed of Trust;
4. Borrower and Co-Borrower must not have more than two (2) 30 day late notices on their existing mortgage loan in the past 2 years. A letter of explanation will be required for any loan with a late mortgage payment history in the last 12 months. THDA, at its sole discretion, reserves the right to credit underwrite the Tennessee Renovation Loan and issue an approval or denial based on their review.

C. Age of Credit Documents

All credit documents must be dated within 60 days from the date the documentation is submitted to THDA for underwriting. At closing, credit documents cannot be more than 120 days old.

6.2 VERIFICATIONS

A. Employment Verifications

Full documentation is required for THDA. All current full-time and part-time employment or self-employment covering a period of at least the last two years must be verified in writing or via telephone. Verifications must indicate bonuses, next pay increase, overtime, and scheduled number of work hours if paid by the hour. In addition, a copy of each borrower's most recent pay stub is required.

B. Self-Employment Verifications

Year-to-date P&L, plus 1040's with Schedule C for a minimum of two tax years. Borrower is required to supply proof of self-employment for a minimum of two years.

C. Deposit Verifications

Borrowers must provide two months bank statements for each account per applicant dated no more than 60 days at time of application. THDA may request additional updated bank statements at our sole discretion.

6.3 DEBTS, OBLIGATIONS, AND OTHER EXPENSES

A. Bankruptcy (Chapter 7 and Chapter 13)

Borrower's and occupying Co-Borrower's, if applicable, Chapter 7 bankruptcy must be discharged for a minimum of two years to be eligible for a Tennessee Renovation Loan.

Borrower's and occupying Co-Borrower's, if applicable, Chapter 13 bankruptcy must be discharged for a minimum of one year.

Borrowers currently in bankruptcy are not eligible for the Tennessee Renovation Loan program.

B. Previous Default

Borrowers with prior foreclosures or deeds-in-lieu are not eligible for a Tennessee Renovation Loan for a period of four years from the date of the foreclosure sale. Borrowers with a prior foreclosure or deeds-in-lieu on a THDA loan are not eligible.

C. Federal or State Tax Liens and Tax Arrearages

All tax liens or arrearages must be paid in full or in a payment plan. Include an acceptable explanation from the borrower.

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6.4 REQUIRED COUNSELING

The Borrower(s) will be required to obtain a face-to-face counseling session through a NeighborWorks Certified Post-Purchase Counselor employed by a THDA approved non-profit counseling agency. The cost of the counseling session will be paid by THDA. Proof that the counseling session was successfully completed by the Borrower(s) must be provided to THDA prior to closing.

The counseling session must be for a minimum of 2 hours and must cover the following NeighborWorks America approved counseling curriculum:

1. Maintaining Your New Home
 - a. Preventative Maintenance
 - b. Home Warranties
 - c. Basic Home Safety
 - d. Mechanisms
 - e. Lead Based Paint Hazards
 - f. Hiring a Contractor
 - g. Energy Tips

2. Money Matters
 - a. New Budget
 - b. Budgeting Tips
 - c. Keeping Good Credit
 - d. Refinance or Not
 - e. Insurance
 - f. Record Keeping

A list of THDA approved counselors is available at www.thda.org website.

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SECTION 7: CLOSING A TENNESSEE RENOVATION LOAN

7.1 CLOSING

All Tennessee Renovation Loans must be closed in compliance with the Commitment and this Program Guide by an approved TRLP Participant.

7.2 LOAN COMMITMENT

The terms of a closed Tennessee Renovation Loan must match the Commitment and all Commitment conditions must be satisfied. THDA will not fund any closed Tennessee Renovation Loan determined by THDA to be ineligible due to the terms of the closing or failure to comply with closing conditions, or any other closing related problem or error. **A revised Commitment must be issued prior to closing if any element of the proposed transaction does not match the Commitment.** Contact THDA with any questions or to obtain a revised Commitment prior to closing.

7.3 REQUIRED LOAN DOCUMENTS

A. Loan Documents

The most recent versions of the following instruments must be used, including any applicable exhibits. A non-qualifying spouse must sign the Deed of Trust:

- TRLP Note
- TRLP Deed of Trust

7.4 OTHER REQUIRED DOCUMENTATION

A. Hazard Insurance

TRLP Participant must submit a copy of a hazard insurance policy covering the Property issued in the name of the eligible homeowner. The policy must insure against loss due to fire and other hazards covered by the standard extended coverage endorsement on a replacement cost basis. The copy of the hazard insurance policy must be submitted with the closed loan package. THDA must be named as a lien holder in the mortgagee clause prior to closing or disbursement of Draw 1.

The Mortgagee Clause for THDA must read as follows:

Tennessee Housing Development Agency - Reference: TRLP Loan #
Its Successors and/or Assigns
502 Deaderick Street, Third Floor,
Nashville, TN 37243

B. Settlement Statement/Closing Disclosure

Show fees paid to third-party providers of services and include the name of the third-party to whom the fee has been or will be paid.

C. Final Inspection

A final inspection report must be produced by a licensed inspector, or licensed contractor who did not perform the repairs, following completion of construction to demonstrate that the work performed included only eligible items and was performed in a customary and reasonable manner that meets all applicable laws, codes, and ordinances.

D. Commitment Conditions

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

E. Right of Rescission

A Three (3) Day Right of Rescission form must be executed by the borrower prior to closing.

F. Net Funds “To Borrower”

The Borrower(s) cannot receive any funds from the closing that exceed amounts that they paid in advance from their personal funds for title or credit report fees.

7.5 CLOSING COSTS

Closing Costs and Fees a THDA Borrower May and May Not Pay

The Borrower may not pay any Discount or Origination fees. Other customary loan charges may be paid through the TRLP loan proceeds. TRLP Participant may collect a credit report fee from the homeowner for the costs incurred in obtaining credit report(s).

If THDA, in its sole discretion, determines that the borrower has been charged a fee that is excessive or not customarily charged in the market place, the TRLP Participant shall refund these fees to the borrower

SECTION 8: SHIPPING A CLOSED TENNESSEE RENOVATION LOAN

8.1 OVERVIEW OF CLOSING

A. Closing Requirements

The THDA Tennessee Renovation Closed Loan Submission Checklist outlines the documents that must be provided to THDA with each closed loan file.

Prior to shipping a closed loan to THDA,

1. Audit all documents for accuracy,
2. Immediately secure any necessary corrections,
3. Comply with THDA delivery deadlines prior to shipping loan to THDA.

B. Document Caption

Documents or files delivered to THDA must be clearly identified with the TRLP Participant's name, the primary Borrower's name, the Tennessee Renovation Loan number, and the name and telephone number of the TRLP Participant's contact person. When shipping follow-up documents after the initial closed loan file has been delivered, TRLP Participants must properly identify all documents being delivered.

C. Shipping Address

Deliver original closed loan documents as specified in Section 1.3 of this Guide.

8.2 REQUIRED DOCUMENTS FOR A COMPLETE CLOSED LOAN FILE

A. Tennessee Renovation Closed Loan Submission Checklist

A completed THDA Tennessee Renovation Closed Loan Submission Checklist must be used as the cover sheet when submitting closed loan files to THDA.

B. Original Note

Deliver the original executed Note to THDA within 15 days after loan closing.

C. Deed of Trust

Deliver a copy of the original executed Deed of Trust to THDA electronically before submitting to Title Company for recording. THDA must receive a copy (or original) recorded Deed of Trust prior to the disbursement of Draw 2.

The borrower's signature and typed name on the Deed of Trust must match exactly or a name affidavit must be enclosed. The legal description, book, page, time of recording, and other critical data must be included in the Deed of Trust.

D. Settlement Statement/Closing Disclosure

Enclose all pages of the original Settlement Statement or Closing Disclosure and attachments, signed by all parties to the transaction.

E. Hazard Insurance

Enclose a copy of a hazard insurance policy reflecting THDA as a Mortgagee holder.

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SECTION 9: POST CLOSING REQUIRED DOCUMENTATION

9.1 FINAL INSPECTION REQUIREMENTS

A. Final Inspection Report

Enclose a copy of the final inspection report with color pictures evidencing the authorized activities were performed.

The borrower must sign and date the final inspection report before submitting to THDA.

B. Notice of Completion

Enclose a copy of the recorded Notice of Completion form evidencing the eligible activity was completed.

C. Final Lien Waiver

Enclose a copy of the Final Lien Waiver evidencing payments were received in full by the Contractor performing the eligible activities.

SECTION 10: SERVICING TENNESSEE RENOVATION LOANS

10.1 SERVICER

Tennessee Housing Development Agency will service the Tennessee Renovation Loans originated, processed, and closed by the TRLP Participants.

SECTION 11: TENNESSEE RENOVATION LOAN USE OF FORMS

11.1 USE OF FORMS

THDA forms may not be altered and may not be distributed to any entity who is not a TRLP Participant or to any other unauthorized individual or entity.

The THDA forms that follow this page, and as may be subsequently revised by THDA, are incorporated as part of this Program Guide. These forms are also available electronically at www.thda.org. Alteration of these forms in any way is not permitted.