THDA LENDER NOTICE: #2026-26

August 12, 2026

SUBJECT: DEBT PAID AT CLOSING

THDA has seen an increase in mortgage loan files with debt paid at closing. In many cases, the debt is not listed on the Closing Disclosure, or THDA Down Payment Assistance is being used to pay it off. These issues can delay THDA's timely purchase of the loan and onboarding into our servicing system.

As a reminder, if THDA Down Payment Assistance is used to pay off debt, the loan is **ineligible** for THDA purchase.

To help resolve these issues and support timely loan purchases, THDA is implementing the following procedures.

For Underwriting:

- In addition to showing the debt to be paid off, the AUS must also reflect the funds needed to pay off the debt. Required closing funds should include the verified assets used to pay the debt. AUS should reflect the borrower bringing funds to cover the debt prior to any POCs applied.
- An initial Closing Disclosure listing the debt to be paid off must be provided to THDA. If the initial CD is not included in the Underwriting Submission, THDA will issue a condition requiring CD review before issuing the commitment.

For Post-Closing:

- Disbursement ledger from the title company showing disbursement of funds is required.

These items will be added to the Submission Checklists for the respective departments.