Tennessee Housing Development Agency

THDA LENDER NOTICE: #2026-29

August 24, 2026

SUBJECT: HOMEOWNERSHIP FOR HEROES AND VETERAN EXEMPTION

THDA would like to provide clarification regarding Veteran Status for the Homeownership for Heroes program and Veteran Exemptions for our Mortgage Revenue Bond loans.

While the Homeownership for Heroes program is a specific program for THDA, THDA is confirming through the DD-214 that the discharge reflects Honorable or General (Under Honorable Conditions). The DD-214 should not reflect any punitive discharge or Other Than Honorable.

The Veteran Exemption Authority for our Mortgage Revenue Bond Loans is from the Internal Revenue Code § 143, which addresses Qualified Mortgage Bonds and Qualified Veterans' Mortgage Bonds. Veterans and their spouses do not have to meet the three-year requirement (i.e. be a First-time Homebuyer), under certain circumstances, to be eligible for THDA's mortgage programs.

"Veterans" as defined in 38 U.S.C. Section 101, "so long as the Veteran did not previously receive a bond finance mortgage under this exception and, generally, includes anyone:

a) who has served in the military and has been released under conditions other than dishonorable or
b) who has re-enlisted but could have been discharged or released under conditions other than dishonorable."

If a borrower has been released under conditions other than Honorable or General (under Honorable Conditions), they may qualify for a Great Choice Mortgage, however, they would not qualify for the discounted rate for Homeownership for Heroes. Homeownership for Heroes must be Honorable or General discharge.