

Tennessee Housing Development Agency

New Start Program Guide



July 2020

Latest Revision: 10.09.2024

TABLE OF CONTENTS

SECTION 1: THDA	7
1.1. THE GUIDE	7
1.2. HOURS OF OPERATION AND HOLIDAY SCHEDULE.....	7
1.3. SINGLE FAMILY PROGRAMS DIVISION STAFF DIRECTORY	7
1.4. THDA NEW START PROGRAM.....	9
A. Description.....	9
B. Maximum Household Income Limits by County.....	10
SECTION 2: PROGRAM PARTNERS	13
2.1. ELIGIBILITY REQUIREMENTS	13
A. Becoming a Program Partner	13
B. Remaining a Program Partner.....	14
C. THDA Designation	14
2.2. NEW START PROGRAM AGREEMENT.....	14
2.3. PROGRAM PARTNER OBLIGATIONS.....	14
A. Originate New Start Loans.....	14
B. Assignment	14
C. New Start Loan Servicing.....	14
D. Payment to THDA	14
E. Provide Homebuyer Education	14
SECTION 3: QUALIFYING AN APPLICANT TO PARTICIPATE IN THDA’S NEW START LOAN PROGRAM.....	15
3.1. ACQUISITION COST.....	15
A. Defining Acquisition Cost	15
B. Maximum Loan Amount.....	15
C. Acquisition Cost Inclusions	15
3.2. NEW START INCOME LIMITS.....	15
A. Income Limits	15
B. Defining Household.....	16
C. Defining New Start Income	16
D. New Start Income Inclusions	16
E. New Start Income Exclusions	17
3.3. QUALIFYING INCOME	18
3.4. RESIDENCE REQUIREMENT	18
3.5. THREE YEAR REQUIREMENT (FIRST TIME HOMEBUYER).....	18
A. Permitted Ownership Interests	18
B. Prohibited Ownership Interests.....	19

C. Veteran Exemption	19
3.6. NEW MORTGAGE REQUIREMENT	19
3.7. TARGETED AREAS	20
A. Census Tracts	20
B. Current Targeted Areas	21
SECTION 4: OTHER NEW START PROGRAM REQUIREMENTS	22
4.1. ELIGIBLE APPLICANTS	22
4.2. PROPERTY ELIGIBILITY	22
A. Eligible Property	22
B. Ineligible Property	23
C. Appraisals	23
D. Acceptable Amount of Land	23
4.3. ELIGIBLE LOAN TYPES AND TERMS	24
A. Types of Loans	24
B. Maximum Loan-To-Value Ratios and Maximum Loan Amount	24
C. Security	24
D. Loan Payment Terms	24
E. Prepayment Penalty	24
F. Late Charge	24
G. Assumptions	24
H. Origination Fees and Discount Points	24
I. Discount Points	25
4.4. FEDERAL RECAPTURE	25
4.5. FEDERAL RECAPTURE TAX REIMBURSEMENT PROGRAM	25
SECTION 5: NEW START PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS	26
5.1. OVERVIEW	26
A. Disclosures	26
B. Age of Credit Documents	26
C. Qualifying Spouse	26
D. Non-Qualifying Spouse	26
E. Co-Signers	26
5.2. VERIFICATIONS	27
A. Employment Verifications	27
B. Deposit Verifications	27
C. Veteran Status	27
5.3. DEBTS, OBLIGATIONS AND OTHER EXPENSES	27
A. Bankruptcy (Chapter 7 and Chapter 13)	27
B. Previous Default	27

C.	Federal or State Tax Liens, Tax Arrearages.....	27
D.	Ratios	27
E.	Gift Letters	28
F.	Remaining Debt Payments.....	28
G.	Collections	28
H.	Establishing / Re-establishing Credit.....	28
I.	Student Loans.....	28
J.	Child Support and Alimony Obligations	28
K.	Judgments	28
SECTION 6: SUBMITTING A NEW START APPLICATION FILE TO THDA		28
6.1.	OVERVIEW	28
6.2.	REQUIRED DOCUMENTS.....	28
A.	New Start Underwriting Submission Checklist	28
B.	Application Declaration	29
C.	Veteran Exemption Application Declaration	29
D.	Seller Declaration.....	29
E.	Tax Returns.....	29
F.	Notice to Applicants Federal Recapture Requirements	29
G.	Grants/Down payment Assistance Approval Letters	29
H.	Transmittal Summary (Conventional FNMA/FHLMC Form 1008).....	29
I.	New Start Details of Purchase	29
J.	Loan Application (URLA).....	30
K.	Credit Report.....	30
L.	Credit Explanation Letters	30
M.	Final Divorce Decree/Marital Dissolution; Court Ordered Child Support; SSI or Other Assistance	30
N.	Verification of Employment; Most Recent Pay Stub; Form Evidencing Telephone Verification of Prior Employment.....	30
O.	Documentation for Veteran Exemption	30
P.	Verification of Deposit or Most Recent Bank Statement.....	30
Q.	Sales Contract	30
R.	Appraisal.....	30
S.	Final Inspection.....	31
T.	Loan Estimate and Closing Disclosure	31
U.	Title Commitment	31
V.	Hazard Insurance	31
W.	Power of Attorney.....	31
6.3.	THDA UNDERWRITING DECISIONS.....	31

A.	THDA Underwriting Results	31
B.	Rejections.....	32
6.4.	COMMITMENTS.....	32
A.	Application Approval.....	32
B.	Commitment Term.....	32
C.	Commitment Conditions.....	32
D.	Satisfying THDA Commitment Conditions.....	32
E.	Update of Application or Commitment	32
F.	Loan Amount Changes.....	32
G.	Commitment Delivery.....	32
H.	Void Commitments.....	32
6.5.	FUNDING NEW START LOANS.....	33
SECTION 7: CLOSING A NEW START LOAN.....		33
7.1.	OVERVIEW	33
7.2.	LOAN COMMITMENT.....	33
7.3.	REQUIRED LOAN DOCUMENTS	34
A.	Loan Documents	34
B.	Due Dates.....	34
C.	Late Charges	34
7.4.	OTHER REQUIRED DOCUMENTATION.....	34
1.	Title Insurance Policy	34
2.	Warranty Deed.....	35
3.	Hazard Insurance	35
4.	Flood Insurance.....	35
5.	Escrow for Completion of Construction.....	36
6.	The Final Closing Disclosure.....	36
7.5.	OTHER REQUIREMENTS	36
A.	Close In The Name Of.....	36
B.	Qualifying Spouse.....	36
C.	Rescission	36
D.	Net Funds “To Applicant”	37
E.	Affidavit of Affixation (Manufactured Home)	37
7.6.	CLOSING COSTS.....	37
SECTION 8: SHIPPING A CLOSED NEW START LOAN		37
8.1.	OVERVIEW	37
A.	Program Partner Obligations.....	37
B.	Shipping Address.....	37
8.2.	DELIVERY DEADLINES	38

8.3.	FAILURE TO MEET DELIVERY DEADLINES	38
8.4.	REQUIRED DOCUMENTS FOR A COMPLETE CLOSED LOAN FILE	38
A.	New Start Closed Loan Submission Checklist.....	38
B.	Request for Loan Purchase with Acknowledgement and Certification	38
C.	Original Note	39
D.	Deed of Trust	39
E.	Affidavit of Affixation (Manufactured Home)	39
F.	Assignment	39
G.	Title Insurance Policy/Endorsements.....	39
H.	Warranty Deed	39
I.	Closing Disclosure	39
J.	Hazard Insurance	40
K.	Flood Insurance (when applicable)	40
L.	Commitment Conditions.....	40
8.5.	LOAN REPURCHASE	40
A.	Repurchase Obligation.....	40
B.	Repurchase Price.....	40
C.	Repurchase Procedure.....	40
8.6.	SERVICING PROCEDURES	41
A.	Tax and Insurance Escrow	41
B.	Volunteer Mortgage Loan Servicing Directory	41
C.	Payments Received After Purchase	41
D.	Payments Received Prior to Purchase.....	42
	SECTION 9: ASSUMPTIONS OF NEW START LOANS.....	42
9.1.	OVERVIEW	42
9.2.	SUBMISSION OF ASSUMPTIONS.....	42
	SECTION 10: NEW START FORMS AND INSTRUCTIONS	43
10.1.	OVERVIEW	43
10.2.	NEW START FORMS AND INSTRUCTIONS	43
A.	Application Declaration HO-0450 (09/21) THDA or Veteran Exemption Application Declaration HO-0460 (09/21) THDA (If Applicable)	43
B.	Notice to Applicants Federal Recapture Requirements HO-0448 (5/21) THDA	44
C.	Seller Declaration HO-0451 (09/21) THDA.....	44
D.	Buyer Profile HO-0439 (02/15) THDA	44
E.	New Start Underwriting Submission Checklist HO-0495 (09/21) THDA	44
F.	New Start Details of Purchase HO-0497 (08/15) THDA.....	44
G.	THDA Rider HO-0440 (08/03) THDA.....	44
H.	Affidavit of Affixation HO-0453 (12/06).....	45

I.	New Start Closed Loan Submission Checklist HO-0496 (09/21) THDA.....	45
J.	Request For Loan Purchase With Acknowledgement and Certification HO-0444 (02/18).....	45
K.	Intent to Allow an Assumption Disclosure HO-0494 (08/15)	45

SECTION 1: THDA

1.1. THE GUIDE

This New Start Program Guide amends and replaces the New Start Program Guide dated August 2015, (the “Prior Guide”) and, together with all subsequent revisions, modifications or updates (the “Program Guide”) provided by the Tennessee Housing Development Agency (“THDA”), contains information about THDA’s New Start Program and specific requirements for the loans submitted, closed and delivered to THDA under the New Start Program (“New Start Loans”). The Prior Guide shall apply to all New Start Loans closed after November 1, 2015, and prior to July 1, 2020. This Program Guide shall apply to all New Start Loans closed on or after July 1, 2020.

THDA may revise, modify or update this Program Guide from time to time and will notify New Start Program Partners 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 or the Prior Guide shall be provided in accordance with Section 17 of the New Start Program Agreement or the Amended and Restated New Start Program Agreement by and between THDA and a New Start Program Partner (the “Program Agreement”).

1.2. HOURS OF OPERATION AND HOLIDAY SCHEDULE

The Single Family Programs Division hours of operation are 7:00 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
Juneteenth
Independence Day
Labor Day
Veteran’s Day
Thanksgiving Day and Friday After*
Christmas Day**

*THDA will be closed on the Friday after Thanksgiving Day.

**Other holidays around Christmas may be announced later.

1.3. SINGLE FAMILY PROGRAMS DIVISION STAFF DIRECTORY

The Single Family Programs Division has day-to-day operational responsibility over the origination, processing and closing of New Start Loans by Program Partner. All correspondence should be directed to:

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

Toll-Free Voice Mail1-800-228-8432
General Information615-815-2100

<u>Loan Operations Staff</u>	<u>Telephone</u>	<u>Email Address</u>
Lindsay Hall, Chief Operating Officer-Single Family	615-815-2080	lhall@thda.org
Rhonda Ronnow, Director of Loan Operations	615-815-2111	rronnow@thda.org
Jennifer Green, Assistant Director of Loan Operations	615-815-2087	jgreen@thda.org
Amber Holland, SFLO Administrative Coordinator	615-815-2094	aholland@thda.org
Rhonda Ellis, Mortgage Loan Specialist, Processing	615-815-2103	rellis@thda.org
Russell Catron, Program Development and Admin. Coordinator	615-815-2186	rcatron@thda.org
Joseph Uvanni, Senior Mortgage Loan Underwriter	615-815-2092	juvanni@thda.org
Bryan Yoshino, Senior Mortgage Loan Underwriter	615-815-2114	byoshino@thda.org
Connie Brewington, Underwriting Manager	615-815-3984	cbrewington@thda.org
Kelly Murph, Underwriter	615-815-2099	kmurph@thda.org
Chuck Pickering, Mortgage Funding Manager	615-815-2086	cpickering@thda.org
Paulie Crone, Mortgage Loan Underwriter	615-815-3981	pcrone@thda.org
Samantha Thacker, Mortgage Loan Underwriter	615-815- 3983	sthacker@thda.org
Jennifer Carpenter, Senior Mortgage Loan Closer	615-815-3991	jcarpenter@thda.org
Shannon Ward, Mortgage Loan Closing Coordinator	615-815-2084	sward@thda.org
Jennifer Brown, Investor Delivery Coordinator	615-815-2096	jlbrown@thda.org
Stephen Chinique, Mortgage Loan Specialist, Closing	615-815-2107	schinique@thda.org
Sharayah Shattuck, Document Delivery and Shipping Coordinator	615-815-2089	sshattuck@thda.org
Katina Brewer, Mortgage Loan Specialist, Final Documents	615-815-2083	kbrewer@thda.org
Wendee Luman, Mortgage Loan Specialist, Final Documents	615-815-2110	wluman@thda.org
Jayna Johnson, Homebuyer Education Manager	615-815-2019	jjohnson@thda.org
Mandy Garman, HBE Intake & Training Coordinator	615-815-2161	mgarman@thda.org
Yvonne Hall, HBE Payments & Reporting Coordinator	615-815-2229	yhall@thda.org
Angela Hall, HUD Housing Education Counseling Coordinator-East TN	615-815-2088	ahall@thda.org
Montrice Brown-Miller, HUD Housing Ed Counseling Coord.-Middle TN	615-815-2137	mbrown-miller@thda.org
Kendra Love, HUD Housing Education Counseling Coordinator-West TN	615-815-2138	klove@thda.org
LiSandra McLaurine, HBEI Specialist	615-815-2085	lmclaurine@thda.org

1.4. THDA NEW START PROGRAM

A. Description

The New Start Loan Program is designed to promote the construction of new homes for low and very low income Tennesseans. The New Start Loan Program will be delivered through non-profit organizations (the “New Start Program Partner” or “Program Partner”) with established programs for the construction of single-family housing for low and very low-income households. The New Start Program Partner is responsible for selecting the homebuyer, determining the borrower’s eligibility based on New Start Program guidelines, constructing the home, providing homebuyer education, and originating the New Start Loan.

NEW START PROGRAM CHOICES

	TIER I	TIER II
Interest Rate	0% Fixed Rate	Equal to one half of THDA’s Great Choice
Loan Term	30 Years	30 Years
Maximum LTV	The Lesser of 75% of Appraised Value or Sales Price*. Not to Exceed \$200,000	The Lesser of 75% of Appraised Value or Sales Price*. Not to Exceed \$200,000
Loan Types	Conventional	Conventional
Buy Downs	Not Allowed	Not Allowed
Eligible Properties	Newly Constructed Single Family	Newly Constructed Single Family
Assumable	Subject to Section 9	Subject to Section 9
Pre-Payment Penalty	No Penalty	No Penalty
Subject to Recapture	Yes	Yes
Closing Costs	May Come From Applicant, Seller or a Gift	May Come From Applicant, Seller or a Gift
Homebuyer Education	Required	Required
Origination Fee	Maximum 1% on 1 st Mortgage	Maximum 1% on 1 st Mortgage
Maximum 1st Mortgage Loan	\$200,000	\$200,000

* Applies to all counties not included in the six counties above.

B. Maximum Household Income Limits by County

Maximum Income Limits			
Tier I New Start Program			Tier II New Start Program
	# in Household		
	1-2 Person	3 or more	All Households
ANDERSON	\$54,600	\$59,150	\$63,700
BEDFORD	\$51,540	\$55,835	\$60,130
BENTON	\$51,540	\$55,835	\$60,130
BLEDSON	\$51,540	\$55,835	\$60,130
BLOUNT	\$54,600	\$59,150	\$63,700
BRADLEY	\$51,540	\$55,835	\$60,130
CAMPBELL	\$51,540	\$55,835	\$60,130
CANNON	\$64,140	\$69,485	\$74,830
CARROLL	\$51,540	\$55,835	\$60,130
CARTER	\$51,540	\$55,835	\$60,130
CHEATHAM	\$64,140	\$69,485	\$74,830
CHESTER	\$51,540	\$55,835	\$60,130
CLAIBORNE	\$51,540	\$55,835	\$60,130
CLAY	\$51,540	\$55,835	\$60,130
COCKE	\$51,540	\$55,835	\$60,130
COFFEE	\$51,540	\$55,835	\$60,130
CROCKETT	\$51,540	\$55,835	\$60,130
CUMBERLAND	\$51,540	\$55,835	\$60,130
DAVIDSON	\$64,140	\$69,485	\$74,830
DECATUR	\$51,540	\$55,835	\$60,130
DEKALB	\$51,540	\$55,835	\$60,130
DICKSON	\$64,140	\$69,485	\$74,830
DYER	\$51,540	\$55,835	\$60,130
FAYETTE	\$51,540	\$55,835	\$60,130
FENTRESS	\$51,540	\$55,835	\$60,130
FRANKLIN	\$51,540	\$55,835	\$60,130
GIBSON	\$51,540	\$55,835	\$60,130

GILES	\$51,540	\$55,835	\$60,130
GRAINGER	\$51,540	\$55,835	\$60,130
GREENE	\$51,540	\$55,835	\$60,130
GRUNDY	\$51,540	\$55,835	\$60,130
HAMBLEN	\$51,540	\$55,835	\$60,130
HAMILTON	\$55,260	\$59,865	\$64,470
HANCOCK	\$51,540	\$55,835	\$60,130
HARDEMAN	\$51,540	\$55,835	\$60,130
HARDIN	\$51,540	\$55,835	\$60,130
HAWKINS	\$51,540	\$55,835	\$60,130
HAYWOOD	\$51,540	\$55,835	\$60,130
HENDERSON	\$51,540	\$55,835	\$60,130
HENRY	\$51,540	\$55,835	\$60,130
HICKMAN	\$51,540	\$55,835	\$60,130
HOUSTON	\$51,540	\$55,835	\$60,130
HUMPHREYS	\$51,540	\$55,835	\$60,130
JACKSON	\$51,540	\$55,835	\$60,130
JEFFERSON	\$51,540	\$55,835	\$60,130
JOHNSON	\$51,540	\$55,835	\$60,130
KNOX	\$54,600	\$59,150	\$63,700
LAKE	\$51,540	\$55,835	\$60,130
LAUDERDALE	\$51,540	\$55,835	\$60,130
LAWRENCE	\$51,540	\$55,835	\$60,130
LEWIS	\$51,540	\$55,835	\$60,130
LINCOLN	\$52,260	\$56,615	\$60,970
LOUDON	\$54,600	\$59,150	\$63,700
MACON	\$51,540	\$55,835	\$60,130
MADISON	\$51,540	\$55,835	\$60,130
MARION	\$55,260	\$59,865	\$64,470
MARSHALL	\$51,540	\$55,835	\$60,130
MAURY	\$52,920	\$57,330	\$61,740
MCMINN	\$51,540	\$55,835	\$60,130
MCNAIRY	\$51,540	\$55,835	\$60,130
MEIGS	\$51,540	\$55,835	\$60,130
MONROE	\$51,540	\$55,835	\$60,130

MONTGOMERY	\$51,540	\$55,835	\$60,130
MOORE	\$52,500	\$56,875	\$61,250
MORGAN	\$51,540	\$55,835	\$60,130
OBION	\$51,540	\$55,835	\$60,130
OVERTON	\$51,540	\$55,835	\$60,130
PERRY	\$51,540	\$55,835	\$60,130
PICKETT	\$51,540	\$55,835	\$60,130
POLK	\$51,540	\$55,835	\$60,130
PUTNAM	\$51,540	\$55,835	\$60,130
RHEA	\$51,540	\$55,835	\$60,130
ROANE	\$52,020	\$56,355	\$60,690
ROBERTSON	\$64,140	\$69,485	\$74,830
RUTHERFORD	\$64,140	\$69,485	\$74,830
SCOTT	\$51,540	\$55,835	\$60,130
SEQUATCHIE	\$55,260	\$59,865	\$64,470
SEVIER	\$51,540	\$55,835	\$60,130
SHELBY	\$51,540	\$55,835	\$60,130
SMITH	\$51,540	\$55,835	\$60,130
STEWART	\$51,600	\$55,900	\$60,200
SULLIVAN	\$51,540	\$55,835	\$60,130
SUMNER	\$64,140	\$69,485	\$74,830
TIPTON	\$51,540	\$55,835	\$60,130
TROUSDALE	\$64,140	\$69,485	\$74,830
UNICOI	\$51,540	\$55,835	\$60,130
UNION	\$54,600	\$59,150	\$63,700
VAN BUREN	\$51,540	\$55,835	\$60,130
WARREN	\$51,540	\$55,835	\$60,130
WASHINGTON	\$51,540	\$55,835	\$60,130
WAYNE	\$51,540	\$55,835	\$60,130
WEAKLEY	\$51,540	\$55,835	\$60,130
WHITE	\$51,540	\$55,835	\$60,130
WILLIAMSON	\$64,140	\$69,485	\$74,830
WILSON	\$64,140	\$69,485	\$74,830

SECTION 2: PROGRAM PARTNERS

2.1. ELIGIBILITY REQUIREMENTS

A. Becoming a Program Partner

A Habitat for Humanity affiliate (“Habitat”) located in the State of Tennessee or a non-profit organized and existing under the laws of the State of Tennessee (“non-profit”) may be eligible to participate in the New Start Loan Program. To establish eligibility, any such organization must provide all of the following to THDA:

1. Certificate of Existence from the Tennessee Secretary of State, dated within thirty (30) days of submission to THDA, indicating the organization was duly incorporated as a nonprofit corporation under the laws of the State of Tennessee at least two years prior to the date of application to become a Program Partner and is validly existing;
2. Copy of Articles of Incorporation, Charter and By-Laws, most recent business plan or strategic management plan (dated within the last 12 months) and all amendments thereto demonstrating that its purposes include providing decent housing that is affordable to low and very low income persons;
3. Copy of 501(c)(3) or 501(c)(4) determination letter from the IRS or a letter from Habitat for Humanity International confirming the applying affiliate is an exempt subordinate and a copy of the group determination letter from the IRS;
4. Board minutes approving participation in the New Start Loan Program;
5. Detailed explanation of the organization’s experience in constructing affordable single family housing and in providing homebuyer education for low and very low income households over the most recent two (2) calendar years from the date of application to become a Program Partner;
6. Most recent, dated within the last 12 months, financial audit, audited comparative financial statements, letter of financial review by CPA firm with an arm's length relationship to the organization, balance sheet with cash flow statement and income statement.
7. Provide a New Start projection and allocation report demonstrating that the number of New Start zero percent (0%) loans expected to be originated, closed and purchased by THDA during the fiscal year does not exceed fifty percent (50%) of the organization’s funding sources for affordable housing, unless prior approval granted by THDA. Include in this report the additional funding sources available to the Provider Partner for the fiscal year’s production expectations.
8. A minimum liquid asset requirement of \$200,000 is required to be maintained by the provider partner, or a letter of credit for a minimum of \$200,000 from a verifiable institution.
9. Copy of proof of errors and omissions insurance
10. Copy of subordinate financing note(s) with terms to be utilized.
11. Copy of certificate of completion of Mortgage Loan Originator licensing class for staff taking loan applications. NMLS licensing is not required.
12. Copy of most current IRS form 990 filed.
13. Provide the completed New Start Partner Application with THDA Disclosure Forms and all required attachments.

B. Remaining a Program Partner

Non-profits or Habitats who establish eligibility under Paragraph A above and who are approved by THDA to act as Program Partners hereunder shall annually submit acceptable documentation, as determined by THDA in its sole discretion, to remain a Program Partner. THDA will not purchase any New Start Program Loans from a non-profit or Habitat whose status as a Program Partner is not current. The maximum New Start Loans, by dollar volume or unit volume, may not exceed 50% per year of the overall residential loan portfolio of the Provider Partner for that fiscal year, unless prior written approval is provided by THDA.

C. THDA Designation

All materials submitted to THDA by any Habitat or non-profit 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 a Habitat or non-profit qualifies to become or remain a Program Partner. Habitats and non-profits, who THDA determines, in its sole discretion, to be qualified and eligible, initially and on a continuing basis, are referred to as "Program Partners".

2.2. NEW START PROGRAM AGREEMENT

The Program Agreement contains the basic contractual agreements between the Program Partner and THDA and must be fully executed before THDA will accept New Start Loan applications. The Program Agreement sets forth general terms under which the Program Partner is authorized to act on behalf of THDA. The Program Agreement also incorporates the contents of this Program Guide, the Prior Guidelines, and other instructions that may be issued by THDA to provide instruction and direction to Program Partners with respect to the New Start Program.

2.3. PROGRAM PARTNER OBLIGATIONS

A. Originate New Start Loans

Each Program Partner is responsible for the documents submitted to THDA in loan application files, closed loan packages or otherwise.

B. Assignment

The Program Partner who originated, processed, closed, and delivered a New Start Loan to THDA must directly assign the Deed of Trust securing the New Start Loan to THDA.

C. New Start Loan Servicing

All New Start Loans are to be serviced by the servicer THDA has designated.

D. Payment to THDA

Default of a new start loan does not relieve the Program Partner of its obligation to guarantee the loan balance to THDA for each New Start Loan. If the Program Partner is required to repurchase the loan due to foreclosure, deed in lieu or any other breach of the deed of trust or Program Partner Agreement the Program Partner will pay the outstanding loan balance due including any related fees incurred within 30 days of notification.

E. Provide Homebuyer Education

Program Partner shall ensure borrower completes pre-purchase and post purchase education prior to closing each New Start Loan. A minimum of 6 hours face to face is required for pre-purchase education and 4 hours of post-purchase education with a certified trainer and a certificate of

completion is required. Program Partner shall monitor or provide counseling to each New Start Loan borrower during the life of the New Start Loan. Although not required, Program Partner may partner with a THDA HBEI Network Agency to offer the education classes. THDA will accept any Homebuyer Education Certificate of Completion for the New Start Loan program

SECTION 3: QUALIFYING AN APPLICANT TO PARTICIPATE IN THDA’S NEW START LOAN PROGRAM

Program Partner shall determine Applicant eligibility for each New Start Loan in accordance with this section.

3.1. ACQUISITION COST

A. Defining Acquisition Cost

Generally, the Acquisition Cost is the total cost of acquiring the Property as a completed residential unit. The Acquisition Cost is the price specified in the contract between the seller and Applicant for the Property plus amounts specified in any other agreements (written or verbal) in connection with the purchase or construction of the Property. The Acquisition Cost includes all amounts paid in cash or in kind by the Applicant or on behalf of the Applicant in connection with the Property.

B. Maximum Loan Amount

The maximum THDA New Start loan amount cannot exceed \$200,000 for all counties.

C. Acquisition Cost Inclusions

Include the following items in determining Acquisition Cost:

1. The price indicated in an executed sales contract for a proposed or new unit and lot that will be conveyed to the Applicant when the New Start Loan is closed (“unit” includes a manufactured home on a permanent foundation);
2. The cost of all materials and labor needed to complete the residence that is not included in the sales contract;
3. Any other cash or in-kind contributions paid by or on behalf of the Applicant to or for the seller;
4. Any other cash or in kind contributions paid by or on behalf of the seller to or for Applicant;

3.2. NEW START INCOME LIMITS

A. Income Limits

1. Tier I: [See Section 1.4 B](#)
2. Tier II: [See Section 1.4 B](#).

Any borrower that meets the income limits in Tier I must close under the Tier I program. Borrowers whose income exceeds the Tier I income limits but falls below the Tier II income limits must close under the Tier II program.

B. Defining Household

1. Household Includes

Refer to IRS REV Ruling 86-124

2. Accuracy of Household Composition

Although not a critical issue in other sources of financing, the accuracy of household composition must be determined for purposes of establishing the maximum income limit of Applicant. If the Originating Agent becomes aware, at or prior to closing, that the household composition may differ from the composition first proposed, documentation must be corrected and submitted to THDA.

3. Separated Applicant

The Applicant and the Applicant's separated spouse must sign the Deed of Trust, at a minimum, at loan closing, so that the marital rights of the separated spouse in the Property are encumbered by the Deed of Trust. A separated spouse who will not occupy or take title to the Property must furnish, at a minimum, verification of their current residence to ensure accuracy of Household Composition.

4. Expected Childbirth

Do not include an unborn child for purposes of determining the number of persons in the household.

C. Defining New Start Income

The Applicant cannot have, at the time of application or at closing, New Start Income greater than the applicable New Start Income Limit. Generally, Income reasonably expected over the next 12 months, based on past income, should be considered.

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

Determining New Start Income, as described in this [Section 3.2](#), is essential for determining eligibility for a New Start Loan. This determination of New Start Income is an initial step that is separate and different from subsequent credit underwriting

D. New Start Income Inclusions

The income to be taken into account in determining the gross monthly income is the income of the Applicant(s) and any other person who is expected to both live in the residence being financed and to be secondarily liable on the mortgage:

1. Wages: salary or hourly; including vacation, sick, and holiday pay
2. 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 less than two years 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 reasonably likely to continue. If used for qualifying purposes. It must be used for New Start Income purposes.
3. Commissions if mortgagor earned the income for at least one year in the same or similar line of work, and it is reasonably likely to continue.
4. Social Security payments, SSI etc. can be grossed up 15%

5. Interest, dividends and other net income of any kind from real or personal Property; (any withdrawal of cash or assets from an investment will be included as income, except to the extent the withdrawal is reimbursement of cash or assets invested by the Applicant); also, the greater of actual earnings or imputed earnings from liquid assets in excess of \$5,000.00.
6. Alimony, child support and other recurring maintenance payments that have been consistently received;
7. Payments from annuities, insurance policies, pensions, retirement funds, royalties, sick pay, trust income, disability, death benefits or other type of payments, that are not considered temporary, nonrecurring, or sporadic.
8. Armed Forces pay, including regular pay, special pay and allowances (excluding special pay for exposure to hostile fire).
9. Welfare assistance;
10. Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Act of 1970;
11. Benefit and other non-earned income
12. Any other source of income, except as noted in “Exclusions From New Start Income”.

E. New Start Income Exclusions

When calculating Household Income do not include:

1. Payments received for care of foster children or foster adults. Unless payments are used for mortgage loan qualification purposes according to insurer/guarantor’s guidelines
2. Adoption assistance payments;
3. Amounts that are specifically for, or in reimbursement of, the cost of medical expenses for a household member;
4. Income of a live-in aide;
5. 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;
6. Armed Forces special pay for exposure to hostile fire
7. Earned Income Tax Credits;
8. 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;
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,

11. transportation, childcare, 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;
12. Temporary, sporadic or nonrecurring income, including gifts
13. The value of Food Stamps;
14. 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;
15. Repatriation payments made by foreign governments pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era (initial determination or reexamination must have been made on or after April 13, 1993).

3.3. QUALIFYING INCOME

Qualifying Income can vary from New Start Income. While New Start Income is collected to verify the household, as outlined in IRS REV. Ruling 86-124, does not exceed the income limits, qualifying income is used for the purpose of verifying stable income that is relied upon to pay the mortgage debt. Only use the income of the borrower(s) that are on the Note as qualifying income. THDA reserves the right to exclude income that is not recurring or is too new to use for qualification purposes.

3.4. RESIDENCE REQUIREMENT

The Applicant(s) must occupy the Property as their permanent, principal residence within 60 days after the New Start Loan is closed. The Applicant(s) must use the Property as their permanent, principal residence **for the life of the New Start Loan**.

3.5. THREE YEAR REQUIREMENT (FIRST TIME HOMEBUYER)

Applicant(s) who have had an ownership interest in their principal residence within the three years (a full 36 calendar months) prior to the date of a New Start Loan application are not eligible for a New Start Loan. When an Applicant is married, both spouses must meet the three year, first-time homebuyer requirement. The three year requirement (first time homebuyer) does not apply if the Property to be acquired with the New Start Loan is located within a Targeted Area as defined in [Section 3.7](#) below or if the applicant is a veteran ([See Section 3.5.C](#)).

A. Permitted Ownership Interests

An Applicant may have the following ownership interests in their principal residence within the last three years and be eligible for a New Start Loan:

1. An ordinary lease, with or without an option to buy;
2. The interest of a buyer under a standard residential purchase contract;
3. A mere expectancy to inherit property at a later date;
4. A remainder interest;
5. A manufactured home without ownership of the land on which it is located;
6. A manufactured home and land on which it was located, if the manufactured home was not titled and assessed as real property;

7. Any of the prohibited ownership interests if the Property to be purchased with the New Start Loan is in a Targeted Area;
8. Any other interest that is not a prohibited interest, as determined by THDA

B. Prohibited Ownership Interests

Applicants, including spouses, who have had any of the following ownership interests in their principal residence within the three years (a full 36 calendar months) before the date of the New Start Loan application are not eligible for a New Start Loan to acquire Property located within a non-Targeted Area:

1. A fee simple interest;
2. A joint tenancy;
3. A tenancy in common;
4. A tenancy by the entirety;
5. The interest of a tenant-shareholder in a cooperative;
6. A life estate;
7. A land contract;
8. Ownership of a manufactured home and the land on which it was located, if the manufactured home was titled and assessed as real property;
9. An interest in an Applicant's principal residence created by the existence of an inheritance, whether title is vested in the Applicant or not;
10. Any of the above interests held in a trust (whether or not created by the Applicant) that would constitute prohibited ownership interest if held directly by the Applicant;
11. Interest arising because, within the last three years, the Applicant's name was included on a deed to a residence which the Applicant occupied as their principal residence.
12. Interest arising because, within the last three years, the Applicant was married to a person who had one of the prohibited ownership interests in a residence which Applicant occupied as their principal residence.
13. Any other interest that constitutes an ownership interest, as determined by THDA.
14. Any interest in rental property.

C. Veteran Exemption

Veterans and their spouses do not have to meet the three year requirement (i.e. be a first-time homebuyer) to be eligible for a New Start loan. The definition of “veteran” is found at 38 U.S.C. 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. A current, active member of the military in their first tour of duty is not eligible for this exemption.

3.6. NEW MORTGAGE REQUIREMENT

A New Start Loan cannot be used to refinance an existing loan.

3.7. TARGETED AREAS

A Targeted Area is a qualified census tract or an area of chronic economic distress as designated by the IRS. A Targeted Area may be an entire county or may be a particular census tract within a county. The Targeted Area designation is important for two reasons:

1. The Three Year Requirement does not apply in Targeted Areas; and
2. THDA is required to use or set aside a portion of the proceeds from each bond issue for loans in Targeted Areas.

Documentation in each application file submitted to THDA must correctly identify whether the Property is or is not located within a Targeted Area. The Appraisal must identify the relevant census tract. If a discrepancy occurs in the census tract information reported on the appraisal versus the census tract shown on the Flood Hazard Determination, the Program Partner must clarify and provide correct census tract information to THDA.

A. Census Tracts

The US Census Bureau divides the United States into many small geographic areas, and identifies each with a unique series of numerals separated by decimals. These numbers indicate the Property's state, county, tract, and sub-tract. An example of a complete Census Bureau identification number and an explanation of its elements follows:

Example: 47.157.0078.10

“47” - the US Census Bureau identification number for Tennessee. THDA does not require this number to be indicated on the appraisal report.

“157” - the US Census Bureau identification number for Shelby County. THDA does not require the Census Bureau county code number to be entered on the appraisal report.

“0078” - the US Census Bureau identification number for one of the census tracts within Shelby County. The correct census tract number must be indicated on the Appraisal for Property located in those counties.

“10” - the US Census Bureau sub-tract number within tract 0078.

B. Current Targeted Areas

1. Counties

Campbell	Franklin	Houston	Monroe	Union
Cannon	Gibson	Jackson	Morgan	Van Buren
Carroll	Grainger	Jefferson	Overton	White
Claiborne	Greene	Johnson	Pickett	
Cocke	Grundy	Lake	Polk	
Crockett	Hancock	Lauderdale	Rhea	
Dekalb	Hardeman	Lawrence	Scott	
Dyer	Hawkins	Lincoln	Stewart	
Fayette	Haywood	Macon	Tipton	
Fentress	Henderson	Meigs	Trousdale	

2. Census Tracts

Bradley	104.00	108.00					
Coffee	9709.00						
Davidson	113.00	118.00	119.00	126.00	136.01	136.02	138.00
	139.00	142.00	143.00	144.00	148.00	163.00	190.03
	190.05	193.00					
Hamblen	1003.00						
Hamilton	4.00	16.00	19.00	20.00	24.00	25.00	109.02
	122.00						
Henry	9693.00						
Knox	8.00	14.00	24.00	26.00	28.00	29.00	67.00
	68.00	69.00	70.00				
Madison	4.00	5.00	7.00	8.00	9.00	10.00	11.00
Montgomery	1001.00	1004.00	1009.00				
Robertson	804.01						
Rutherford	419.00						
Shelby	2.00	4.00	6.00	8.00	9.00	11.00	14.00
	15.00	19.00	20.00	21.00	24.00	28.00	38.00
	45.00	46.00	50.00	53.00	55.00	56.00	57.00
	58.00	59.00	67.00	68.00	70.00	75.00	78.10
	78.21	79.00	82.00	89.00	99.02	101.20	102.10
	103.00	105.00	106.30	112.00	113.00	114.00	115.00
	116.00	205.23	205.42	217.25	222.20	223.21	
Sullivan	406.00						
Washington	609.00	610.00					
Weakley	9682.02						

SECTION 4: OTHER NEW START PROGRAM REQUIREMENTS

4.1. ELIGIBLE APPLICANTS

An eligible Applicant must meet ALL of the following criteria:

1. Possess and demonstrate the legal capacity to incur the THDA debt (not be judged incompetent and be age 18 or older or have minority removed by judicial process);
2. Meet credit underwriting standards of THDA, which typically follow HUD's guidelines; to include a minimum FICO score of 620, housing ratio not to exceed 29% and total combined debt to income ratio not to exceed 41%.
3. Be, or become, within 60 days after the New Start Loan closing, a resident of the State of Tennessee and occupy the Property as their principal residence for the life of the New Start loan;
4. Have gross assets of such amounts as to be considered a person of low or moderate income, as THDA may determine from the documentation contained in the application file (See Section 5.2); and
5. Agree to occupy the property as their principal residence and agree not to rent the property during the term of the THDA loan, as sworn to in the Application Declaration and as precluded by the THDA Rider
6. Must be a U.S. citizen or permanent resident alien providing proper documentation.
7. Must complete homebuyer education from a THDA approved provider prior to closing from a THDA approved provider.

4.2. PROPERTY ELIGIBILITY

A. Eligible Property

Eligible Property must meet ALL of the following requirements:

Be one of the following:

1. New or proposed construction; not to be occupied prior to closing.
2. Detached or attached housing, including duplexes, townhomes, and condominiums.
3. Any of the below types of residences, new or proposed
 - a. built on site, or
 - b. a modular home permanently attached to a foundation (in compliance with HUD guidelines), or
4. 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. A structural engineer's report is required stating that the home is permanently attached to a foundation in compliance with HUD guidelines.
5. Not to be used in a trade or business or as an investment property, vacation home or seasonal home. Occasionally individuals claim a business deduction on their Federal Income Tax Returns. In most cases this is a small portion of the home that is used as an

office. The tax return must show the percentage of square footage used for the business deduction. If the square footage used for a business deduction is 15% or less, it is acceptable to THDA. The home cannot be used as a day care center, beauty salon or other similar businesses.

B. Ineligible Property

1. Properties with separate living units, i.e., mother-in-law suite.
2. Lots/Land used in the new construction must be an arm's length transaction. Employees or board members of New Start Provider Partner agencies cannot have any personal ownership interest in transaction.
3. Previously occupied properties with the exception of those properties approved for a THDA assumption.

C. Appraisals

The Program Partner is responsible for selecting appraisers and reviewing the quality of their work. THDA does not maintain a list of approved appraisers; however, THDA reserves the right to refuse appraisals from specific appraisers or appraisal firms. THDA also reserves the right to require a new appraisal prepared by a different appraiser or to require additional information, including additional comparable sales.

As an element of THDA's quality control process, appraisal desk reviews and field reviews may be ordered by THDA. Reviews indicating that the original appraisal contained unrealistic valuation methods or conclusions, or reviews that reveal patterns of inappropriate valuations, may result in the suspension of the appraiser from THDA's programs, or other appropriate action.

All application files submitted for THDA underwriting must include a 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.

The Appraisal must indicate an appraised value acceptable to THDA. An application may be rejected by THDA if:

1. The appraised value of the Property exceeds the applicable Acquisition Cost Limit by more than 20%; or
2. The Appraisal indicates a land value in excess of 35% of the total appraised value of the Property, unless otherwise approved by THDA in its sole discretion; or
3. The Appraisal indicates the property values for the neighborhood in which the Property is located are declining and the Applicant is seeking a New Start Loan for maximum financing.

Validity period is 180 days from the effective date of the appraisal report. If the appraisal report will be more than 180 days at loan purchase, an appraisal update may be performed to extend the appraisal validity period. The updated appraisal is valid for one year after the effective date of the initial appraisal report.

D. Acceptable Amount of Land

Property purchased using a New Start Loan program can include land up to two acres, or be one subdivision lot up to two acres in size, as shown on a recorded subdivision plat, without express

THDA approval. More than one recorded subdivision lot will be acceptable if the property is located in an older subdivision containing narrow “shotgun” lots.

THDA may, on a case-by-case basis and in THDA’s sole discretion, consider a property that includes more than one lot or exceeds two acres in size, if necessary for the habitability of the property. For example, some city or county zoning requires that the property contain more than two acres, the topography of the land may be extremely rough, additional land may be required for a septic system, etc. Requests for consideration of a property that exceeds two acres in size must be well documented by the appraiser. The appraiser must also state that the property is not income producing property.

4.3. ELIGIBLE LOAN TYPES AND TERMS

A. Types of Loans

Each New Start Loan must be a conventional uninsured loan.

B. Maximum Loan-To-Value Ratios and Maximum Loan Amount

The maximum loan-to-value may not exceed 75% of the lesser of the appraised value or contract sales price. The maximum combined loan-to-value (CLTV) including subordinate financing may not exceed 100%. However, the maximum New Start loan amount may not exceed \$200,000.

C. Security

All New Start Loans must be secured by a first lien on the Property. In addition, THDA may allow second mortgages in conjunction with a New Start Loan. Amortizing second mortgages or subordinate mortgages (non-forgivable) may not exceed 100% CLTV of the Acquisition Cost. All notes and deeds of trust for any subordinate financing must be submitted with the New Start loan application.

D. Loan Payment Terms

New Start Loans must be fully amortized, with level payments, and must be for a maximum term of 30 years in all cases. The loan term cannot exceed the economic life of the Property as specified in the appraisal report.

E. Prepayment Penalty

Prepayment penalties are not permitted on New Start Loans.

F. Late Charge

Late charges, if any, must be reflected in the Promissory Note and cannot exceed 5%.

G. Assumptions

New Start Loans are not assumable except in accordance with Section 9.

H. Origination Fees and Discount Points

A 1% origination fee may be charged on THDA’s first mortgage.

I. Discount Points

Not allowed.

4.4. FEDERAL RECAPTURE

All New Start Loans are subject to the federal recapture tax. The recapture tax is designed to recapture a portion of the subsidy associated with the below market interest rate on the New Start Loan. Recapture tax liability must be determined at the time the Property is sold, if the sale occurs within the first nine years of the closing of the New Start Loan. The recapture tax for the original Applicant does not apply if the sale occurs more than nine years after the date the New Start Loan closed. Refinancing a New Start Loan does not trigger recapture tax liability, however, if the Property is sold after the date of refinancing but before the ninth anniversary of the New Start Loan closing, recapture tax liability must be determined at the time of sale. Program Partner shall notify the Applicant about recapture tax at the time an application for a New Start Loan is made by securing their signature on the Notice to Applicants Federal Recapture Requirements.

Whether the recapture tax results in an actual payment to the federal government depends on a number of factors, including changes in family income, gain on the sale of the Property, the number of years the New Start Loan is outstanding, and the original New Start Loan amount. The exact amount to be paid, if any, cannot be determined until the Property is sold.

A New Start Loan that is assumed within nine years from the date of the original New Start Loan closing is subject to the recapture tax for an additional nine year period beginning on the date of the assumption. The recapture tax does not apply to the sale of an assumed New Start Loan if the purchaser who assumed the New Start Loan sells more than nine years after the date the New Start Loan is assumed.

For further information regarding the federal recapture tax, advise Applicants to contact their tax professional. Written information is available by ordering IRS Form 8828 “Recapture of Federal Mortgage Subsidy” and its accompanying instructions from any IRS office.

4.5. FEDERAL RECAPTURE TAX REIMBURSEMENT PROGRAM

THDA will reimburse any THDA homebuyer who purchases their home on or after May 1, 2021, the amount of recapture tax the homebuyer pays to the IRS in connection with the sale of the home.

THDA will not calculate the recapture amount. Upon sale or disposition of the residence, the borrower(s) must calculate the recapture or consult a tax advisor or the IRS. IRS Form 8828 must be filed for the year in which the home was sold or otherwise disposed of.

In order to request a recapture tax reimbursement from THDA, the borrower is responsible for the following items:

- Originally signed IRS Form 4506
- Copy of signed and filed tax return, including completed IRS Form 8828
- Proof federal taxes were paid
- Copy of Final Closing Disclosure issued in connection with the disposition of the home
- Completed Request for Recapture Tax Reimbursement form

THDA will process the request for reimbursement when copies of the borrower(s) tax returns are received from the IRS. THDA will only reimburse the recapture amount actually paid, but will not reimburse fees, interest, expenses or penalties incurred.

Be advised that THDA will issue an IRS Form 1099 so the amount of any recapture tax that THDA reimburses to the borrower will be reported to the IRS as income.

SECTION 5: NEW START PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS

5.1. OVERVIEW

A. Disclosures

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

B. Age of Credit Documents

All credit documents must be current when submitted to THDA for underwriting. At closing, credit documents cannot be more than 120 days old.

For New Start Loan Commitments with a term of six months (permanent financing on proposed construction), income and credit documents must be updated and resubmitted for THDA review and approval when construction is complete if more than 120 days old.

All updates and requests for extension of Commitments will be for 30 days and must be submitted with updated documents for THDA approval prior to the Commitment expiration date.

Any extension requested after the Commitment expiration date will require submission of a new loan package.

C. Qualifying Spouse

When there is more than one Applicant, all are considered Co-Applicants for THDA eligibility purposes. All Applicants must sign the Application Declaration and the income of all persons who are liable on the mortgage note must be included in calculating New Start Income as described in [Section 3.2](#). All Applicants must execute the Note and the Deed of Trust.

D. Non-Qualifying Spouse

1. Cannot have had ownership interest in principal residence in the past three years unless present property being purchased is in a targeted areas
2. Items required as documentation on the non-qualifying spouse:
 - a. Signature on an original Application Declaration (can be on the same Declaration as Applicant or on a separate Declaration).
 - b. Signature on the Deed of Trust at closing (encumbering marital interest).
 - c. Evidence of US citizenship or permanent resident alien status.

E. Co-Signers

Co-signers are not permitted.

5.2. VERIFICATIONS

A. Employment Verifications

Full documentation is required for THDA. All current full-time and part-time employment covering a period of at least the last two years must be verified in writing. Telephone verification is acceptable on previous employment. For current employment not verified with a standard VOE form, answers to all questions contained on the standard VOE must be provided by the employer on employer letterhead. 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 Applicant's most recent pay stub is required (no more than 30 days old).

Part time income will be used in the New Start income calculation but will only be used in the qualifying income if the borrower has had the part time income for more than 12 months continuously.

B. Deposit Verifications

Applicant's most recent 2 months bank statements must be submitted.

C. Veteran Status

Veterans applying for the exemption to the three year requirement must provide a copy of VA Form DD-214 or VA Form DD-4 (Enlistment/Re-enlistment Document).

5.3. DEBTS, OBLIGATIONS AND OTHER EXPENSES

A. Bankruptcy (Chapter 7 and Chapter 13)

An Applicant's Chapter 7 bankruptcy must be discharged for a minimum of two years and acceptable credit must be re-established to be eligible for a New Start Loan. An Applicant's Chapter 13 bankruptcy must be discharged for a minimum of one year and all payments on the plan have been made as agreed, and acceptable credit has been re-established or maintained during this time.

Borrower must have three new trade lines established with a minimum of 12-month payment history since the discharge of the bankruptcy.

Applicants currently in bankruptcy are not eligible for New Start Loan programs.

B. Previous Default

Applicants with prior foreclosures or deeds-in-lieu are generally not eligible for a New Start Loan for a period of three years from the date of the foreclosure sale.

Applicants with a prior foreclosure or a short sale on a THDA loan are not eligible for THDA financing.

C. Federal or State Tax Liens, Tax Arrearages

All tax liens or arrearages must be paid in full. Include an acceptable explanation from the Applicant.

D. Ratios

The total housing (PITI) to income may not exceed 29%. The total debt to income ratio may not exceed 41%

E. Gift Letters

A properly documented gift letter is permitted.

F. Remaining Debt Payments

Although most program insurer underwriting guidelines allow a certain number of remaining scheduled debt payments to be disregarded for purposes of loan qualifying, the impact of existing debt payments on Applicant's budget at the time of the first scheduled THDA loan payment may be evaluated in THDA's sole discretion.

G. Collections

Any and all collection accounts must be handled in accordance with HUD's guidelines.

H. Establishing / Re-establishing Credit

Borrower(s) must show credit worthiness to obtain financing with THDA. If establishing or reestablishing credit, 3 non-traditional trade lines with 12 month good payment history must be provided, the combination of traditional and non-traditional trade lines can be provided. Additional information may be required at the discretion of THDA.

I. Student Loans

Any and all student loans should be handled in accordance with HUD's guidelines.

J. Child Support and Alimony Obligations

Include a copy of the final order, signed by the court. Payments must be current

K. Judgments

Any and all judgments must be handled in accordance with HUD's guidelines.

SECTION 6: SUBMITTING A NEW START APPLICATION FILE TO THDA

6.1. OVERVIEW

Program Partners 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 repurchase of the New Start Loan and may require the Program Partner be suspended from the program. 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, Program Partner shall immediately notify THDA and shall submit updated loan documentation.

The application file as submitted to THDA, must have all documentation being submitted in the order shown on the THDA Underwriting Submission Checklist.

6.2. REQUIRED DOCUMENTS

A. New Start Underwriting Submission Checklist

Include this form with each application file submitted to THDA for underwriting. See [Section 10](#).

B. Application Declaration

The original executed and notarized Application Declaration must be received as part of the loan submission package. The Application Declaration must be signed by each loan Applicant. Married Applicants must both sign the Application Declaration and meet first-time homebuyer eligibility requirements, even if a non-qualifying spouse is involved. See [Section 10](#) for instructions.

C. Veteran Exemption Application Declaration

The original executed and notarized Veteran Exemption Application Declaration must be received as part of the loan submission package if the veteran is applying under the exception to the three-year requirement. Married veteran applicants must both sign the Veteran Exemption Application Declaration and the veteran's spouse does not have to meet the three-year requirement.

D. Seller Declaration

The seller of the Property must execute a Seller Declaration for each application file submitted to THDA. The original Seller Declaration is required as part of the initial package submission. See [Section 10](#) for instructions.

E. Tax Returns

Copies of signed and dated Federal Income Tax Returns, including W-2's, for the most recent tax year for the Applicant(s) must be included in the initial application file.

If an Applicant cannot provide a copy of their most recent Federal Income Tax Return, they must obtain an IRS Tax Transcript, which are available from the IRS office where the tax return was filed. Transcripts may be ordered by using IRS Form 4506C. If an Applicant was not required to file a Federal Income Tax Return, provide a non-filing status from the IRS. If non-filing status cannot be obtained, provide an explanation and the credit report, and Application Declaration may be used at THDA's discretion.

THDA, at its sole discretion, may require the most recent three years Federal Income Tax Returns if there is any indication in the loan file of prior homeownership.

F. Notice to Applicants Federal Recapture Requirements

This THDA disclosure is required for all New Start Loans and must be signed at the time of application. Include the signed original in the application file. Furnish the Applicant a copy of the signed original. (See [Section 10](#).)

G. Grants/Down payment Assistance Approval Letters

If the Applicant expects to receive a grant or down payment assistance to facilitate the purchase of the Property, include an approval letter from the granting organization indicating the type of assistance and the approved amount in the application file, the terms and conditions, the note and deed of trust. The loan application must include any payments for subordinate financing and these payments must be included in the debt to income calculation.

H. Transmittal Summary (Conventional FNMA/FHLMC Form 1008)

Include a Transmittal Summary with each New Start Loan application. This form is considered as the Program Partner's underwriting approval and must be signed and dated by the underwriter.

I. New Start Details of Purchase

This form must be included in the underwriting submission package. All subordinate financing must be included in the details of transaction as well as the first mortgage.

J. Loan Application (URLA)

Include the initial URLA, signed and dated by the Applicant(s) and the Program Partner. Final signed URLA should be provided with the closing package. Three years of residency must be stated on the URLA.

K. Credit Report

The original credit report must be included in the application file. If applicant does not have a credit score, 3 alternative lines of credit, establishing good payment history for 12 consecutive months must be provided. Include an explanation letter in the file for any recent inquiries.

All credit reports must be less than 120 days old at the time of closing.

L. Credit Explanation Letters

Include credit explanation letters in the application file if adverse information has been verified.

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

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

N. Verification of Employment; Most Recent Pay Stub; Form Evidencing Telephone Verification of Prior Employment

See [Section 5.2](#).

O. Documentation for Veteran Exemption

VA Form DD-214 if applicant is a discharged or released veteran. VA Form DD-4 if applicant has re-enlisted, but was eligible for a discharge or release, other than dishonorable, at the time of re-enlistment.

P. Verification of Deposit or Most Recent Bank Statement

See [Section 5.2](#).

Q. Sales Contract

Include a copy of the contract for the purchase of the Property (fully executed by seller and Applicant) in the application file. Information in the application file must be consistent with the contract. The contract sales price should be accurately reflected on the appraisal. Any changes to the contract must be initialed by seller and Applicant. All addendums should be included with submission and the contract should not be expired.

R. Appraisal

Enclose an original Uniform Residential Appraisal Report (FMNA 1004) in the application file. The Uniform Residential Appraisal Report must reflect inspections of both the interior and exterior of the dwelling

S. Final Inspection

Once Construction is complete, a final inspection must be completed by the licensed appraiser. The final inspection must include a street scene photo, address photo, exterior front, back and side; and interior photos. The final inspection with photos must be submitted prior to closing for underwriting review Flood Notification

If the Property lies within a Special Flood Hazard Zone, the Program Partner must make proper and timely disclosure to the Applicant in compliance with federal regulations. Provide a life of loan Flood Hazard certification with the initial underwriting submission package or closed loan documents.

T. Loan Estimate and Closing Disclosure

The initial Loan Estimate must be included in the Underwriting Submission Package and any subsequent changes in the Closing Disclosure, if necessary, must be included in the Closed Loan Submission Package.

U. Title Commitment

Title commitment must be provided to determine if applicant(s) have any tax liens. Title searches must include public record information and legal description. Title Commitment should be in New Start partner's name and reflect, ISAOA ATIMA.

V. Hazard Insurance

Hazard Insurance Declarations Page must be provided. See [Section 7.4, item 3. Hazard Insurance](#)

W. Power of Attorney

THDA must verify and document that all requirements to utilize a POA have been satisfied. THDA must review and approve the POA prior to closing. Please submit with the Underwriting package. POAs must be notarized and recorded. If the original POA is recorded prior to the Note Date, please deliver the original POA with the original Mortgage Note. Otherwise, a certified copy of the POA must be included in the closing package and the original POA delivered to THDA with the recording information within 30 days of closing.

6.3. THDA UNDERWRITING DECISIONS

A. THDA Underwriting Results

THDA Underwriters review each application file and may:

1. Approve the application file without conditions, with prior to closing conditions or with conditions that must be satisfied when the New Start Loan is closed; or
2. Request additional documentation from the Program Partner as determined by THDA in its sole discretion.
3. Reject an application that fails to meet the requirements of this Guide.
4. Reject an application if New Start Income exceeds current Household Income Limits, if Acquisition Cost exceeds current Acquisition Cost Limit, if the property is not eligible for THDA financing, or if the Applicant's credit is not acceptable to THDA. THDA, at its sole discretion, reserves the right to credit underwrite any loan and issue a denial based on unacceptable credit issues

B. Rejections

Any application file rejected by a THDA Underwriter is subject to THDA second level review before the Program Partner is notified.

6.4. COMMITMENTS

A. Application Approval

An application file is not approved until a written Commitment is issued by THDA. Therefore, loans cannot close prior to the Commitment date.

B. Commitment Term

New Start Loan Commitments are issued for a period of six months.

C. Commitment Conditions

Commitments will be issued with conditions indicated under the heading “Receipt, With Closing Documents” (closing conditions).

D. Satisfying THDA Commitment Conditions

All Closing Conditions (indicated on the Commitment as “Receipt, With Closing Documents”) must be satisfied at the time the closing package is delivered to THDA.

THDA, in its sole discretion, may refuse to purchase any New Start Loan when any loan closing condition was not satisfied at closing.

E. Update of Application or Commitment

The application file and the Commitment must be updated in the following situations:

1. After the Commitment is issued, if there are changes in the Applicant’s household composition, income or credit, Program Partner must submit updated documentation to THDA for review and approval.
2. When construction is complete (based on a six-month Commitment for proposed construction), Program Partner must always submit final inspection and final photos for THDA review and approval. Updated credit documents may be reviewed if more than 120 days from initial submission. Final inspection must be completed by the appraiser.
3. All requests for an extension of a Commitment must be accompanied with updated credit documents if the originally submitted credit documents are more than 120 days old.

F. Loan Amount Changes

Occasionally, there will be a change in the loan amount. If the final loan amount is different than the loan amount indicated in the Commitment, the Program Partner must immediately contact THDA’s underwriter for a new principal and interest payment amount. THDA will issue a revised Commitment prior to closing.

G. Commitment Delivery

THDA will email the commitment to the Program Partner.

H. 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 loan is closed;
2. Documentation in connection with “Receipt, With Closing Documents” (Closing Conditions) is not submitted with the closed loan package, or is not satisfactory to THDA;
3. A grantee on the Warranty Deed is not named in the Commitment;
4. The Property described in the closing documents differs from the Property indicated in the Commitment and/or on original URAR;
5. The loan closes in an amount larger than the amount indicated on the Commitment;
6. The interest rate or loan term differs from the Commitment;
7. The monthly principal and interest payment in the promissory note is less than the principal and interest payment indicated on the Commitment;
8. The monthly principal and interest payment in the promissory note exceeds the principal and interest payment indicated on the Commitment by more than one cent (\$.01);
9. The loan closes prior to the date of Commitment;
10. The loan closes after the Commitment expiration date without Commitment extension by THDA;
11. The closed loan does not otherwise conform to the Commitment or this Program Guide.
12. The loan closes with subordinate liens that were not disclosed at loan submission.

A New Start Loan closed with a void Commitment is not eligible for THDA funding. **THDA will not purchase a New Start Loan if it was closed with a void Commitment.**

6.5. FUNDING NEW START LOANS

New Start Loans are funded by the purchase method. After the closed loan file is delivered to THDA with acceptable documentation, THDA may purchase the New Start Loan.

SECTION 7: CLOSING A NEW START LOAN

7.1. OVERVIEW

All THDA approved loans must be closed in compliance with the Commitment and in compliance with the instructions contained in this Guide by a Settlement Agent who is an independent, third-party attorney or a title company.

Any closed loan subsequently determined to be ineligible due to the terms of the closing, closing documentation, failure to comply with THDA closing conditions, early payment default, and/or any other closing related problem or error, is ineligible for THDA funding, without exception and the New Start partner will be required to repurchase the loan, at THDA’s discretion.

7.2. LOAN COMMITMENT

The terms of a closed New Start Loan must match the Commitment and all Commitment conditions must be satisfied. THDA may not purchase any closed New Start Loan determined by THDA to be ineligible due to the terms of the closing, closing documentation or failure to receive a loan commitment or 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 riders. A non-qualifying spouse must sign the Deed of Trust:

1. FNMA/FHLMC Multi-State Conventional Note (Tennessee)
2. FNMA/FHLMC Multi-State Conventional Deed of Trust (Tennessee)

All contracts for home loans made by a nonprofit lender with zero (0%) interest rate or low interest rate must contain the following restrictive covenant which must be prominently displayed on the face of each mortgage or deed of trust:

THIS INSTRUMENT SECURES A ZERO INTEREST OR LOW INTEREST RATE LOAN AS DEFINED UNDER TENNESSEE CODE ANNOTATED SECTION 66-4__ AND IS SUBJECT TO THE RESTRICTIONS THEREIN.

IT CANNOT BE REFINANCED, REPLACED OR CONSOLIDATED WITHOUT THE PRIOR WRITTEN APPROVAL OF THE LOCAL BOARD OF DIRECTORS OF THE NONPROFIT LENDER THAT FINANCED THE LOAN SO LONG AS THIS INITIAL ZERO (0%) INTEREST OR LOW INTEREST RATE LOAN IS IN EXISTENCE.

3. THDA Rider
4. Condominium or PUD Rider (if applicable)
5. Copies of all subordinate financing deeds of trust and notes.

B. Due Dates

The promissory note must specify a first payment due date as the first day of the second calendar month following the date of closing. All subsequent payments are due the first day of each month. Interest credits are not permitted.

C. Late Charges

Late charges are permitted only in compliance with the applicable conventional guidelines (5%). If the charge exceeds the allowable rate, the note will be returned for correction and signature by Applicant(s).

7.4. OTHER REQUIRED DOCUMENTATION

1. Title Insurance Policy

Use ALTA Loan Policy or ALTA Short Form Residential Loan Policy and include the following:

1. The insured amount must be equivalent to the amount of the first mortgage.
2. THDA must be a “named insured”. Use the following language:
(Name of Program Partner), and/or Tennessee Housing Development Agency.
OR
(Name of Program Partner), its successors and/or assigns.

3. Taxes/assessments that are due and payable cannot be indicated as unpaid. Endorsements to the Title Insurance Policy may be required as determined by THDA.

2. Warranty Deed

The Warranty Deed must convey the Property to the Applicant(s) indicated on the Commitment only. Substituted or additional grantees on the Warranty Deed will void the Commitment.

3. Hazard Insurance

Hazard insurance coverage must be issued in the name(s) of the titled property owner(s). The insurance company issuing the hazard insurance policy must be licensed by the State of Tennessee, and have a current financial rating by Best's Insurance Reports of class IV or better.

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 Applicant may elect to include additional coverages, such as liability and earthquake insurance, and special policy riders.

The minimum acceptable amount of hazard insurance coverage is the appraised value less the site value, as provided in the appraisal, or an amount sufficient to replace the structure as determined by THDA or the combined balances of all outstanding mortgages.

The maximum allowable deductible is the higher of \$1,000 or 1% of the face amount of the policy. The deductible clause may apply to either fire, extended coverage, or both. When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible may be the higher of \$2,000 or 2% of the face amount of the policy.

Minimum initial term is one year.

THDA must be named as mortgagee in the original policy or in an endorsement. Use the following language:

Tennessee Housing Development Agency
C/O (Program Partner), Loan # _____
(Servicer's mailing address)
(Servicer's city, state, zip)

Coverage must be in force on or before the day of closing.

An original insurance policy or Certificate of Insurance is required. An insurance binder, a memorandum of insurance or a premium bill is not acceptable. The Program Partner must retain the original policy or certificate for the New Start Loans it is servicing. Promptly after closing, Program Partner must submit a copy of the declarations page to THDA with the closed loan package.

Policies are not acceptable if, under the terms of the carrier's charter, by-laws or policy, contributions or assessments may be made against the Applicant, THDA or THDA's designee; or if by the terms of the carrier's charter, by-laws or policy, loss payment is contingent upon action by the carrier's Board of Directors, policyholders or members; or the policy includes any limiting clauses (other than insurance conditions) which could prevent THDA or Applicant from collecting insurance proceeds.

4. Flood Insurance

Flood insurance is mandatory for all New Start Loans with improvements located in Flood Zone A, without exception. A copy of FEMA Form 81-93 Standard Flood Hazard Determination must

be included with the closed loan package when submitted to THDA. The Flood Certification MUST state it is for the life of the New Start Loan. If part of the Property is located in Flood Zone A, but all of the improvements are outside Flood Zone A, flood insurance is not required.

To waive the flood insurance requirement, a loan survey is required and must indicate the boundary of Flood Zone A and show that all improvements included in appraised value are outside of Flood Zone A.

The amount of coverage must equal the total amount of the New Start Loan approved by THDA up to the maximum amount available through the National Flood Insurance Program.

The same mortgagee clause and mailing address previously indicated under “Hazard Insurance” must be used.

A copy of the flood insurance application and a copy of the check for the first year’s premium must be enclosed with the closing package shipped to THDA.

The maximum allowable deductible is the higher of \$1,000 or 1% of the face amount of the policy.

5. Escrow for Completion of Construction

Escrows for completion should only be for landscaping only that is delayed due to wet weather.

Submit the proposed escrow agreement to THDA prior to closing. At a minimum, the escrow agreement must state what the escrow is for, the dollar amount to be escrowed (150% of the cost to complete construction), and the completion date which may not exceed 60 days.

All work must be completed and a final inspection with photos delivered to THDA by no later than 60 days after closing.

An escrow agreement acceptable to THDA for completion of construction must be used. The Program Partner must hold and disburse the escrow funds in accordance with the Escrow Agreement.

6. The Final Closing Disclosure

The Closed Loan Submission Package must include the Closing Disclosure (CD). If the borrower(s) is taking out two loans to finance the purchase, each loan must have a separate CD.

7.5. OTHER REQUIREMENTS

A. Close In The Name Of

All New Start Loans must be closed in the name of the Program Partner noted on the Commitment and must be assigned to THDA.

B. Qualifying Spouse

Applications involving married Applicants require that both spouses, with the exception of the Veteran exemption, meet the first-time homebuyer eligibility, except in Targeted Areas.

A non-qualifying spouse must sign the deed of trust and the THDA Rider.

C. Rescission

THDA cannot fund or purchase a loan that is closed with a Three-day Right of Rescission.

D. Net Funds “To Applicant”

An Applicant cannot receive any funds from the closing that exceed amounts that they paid in advance from their personal funds for earnest money, appraisal fees and credit report fees. If a grant from an entity other than THDA is included in the transaction, coordinate this subject with the grant provider.

E. Affidavit of Affixation (Manufactured Home)

An Affidavit of Affixation is required on all manufactured home loans and must be recorded with the Deed of Trust. THDA’s Affidavit of Affixation Form HO-0453 is to be used unless the Settlement Agent uses an Affidavit of Affixation that meets the statutory requirement of TCA Section 55-3-138.

7.6. CLOSING COSTS

Closing Costs and Fees a THDA Applicant May Pay

1. The Applicant may pay any and all reasonable and customary fees and costs normally charged in the market place. If THDA, in its sole discretion, determines that the Applicant has been charged a fee that is exorbitant or not customarily charged in the market place, the Program Partner will be required to refund these fees to the Applicant.
2. Origination Fee
A maximum fee equal to 1% of the THDA Loan Amount is permitted, and is paid to the Program Partner. No origination fee may be charged on any subordinate financing.
3. Discount Points
Not allowed on THDA’s first mortgage or subordinate financing.
4. Subordinate Financing
The only allowable fees that may be charged on subordinate mortgages are recording fees and a document preparation fee for the Deed of Trust.

SECTION 8: SHIPPING A CLOSED NEW START LOAN

8.1. OVERVIEW

A. Program Partner Obligations

Program Partner must conform to strict timetables when shipping a closed loan file to THDA. The THDA Closed Loan Submission Checklist lists the documents that must be provided to THDA with each closed loan file.

Upon receipt of the closed loan file from the Settlement Agent, Program Partner must:

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

B. Shipping Address

When delivering original notes, specify “Single Family Programs Division, Closing Department, 502 Deaderick Street, 3rd Floor, Nashville TN 37243”.

8.2. DELIVERY DEADLINES

Delivery of all closed loan files must conform to the following deadlines:

1. 24 Hour Deadline

Upload a copy of all executed Notes to THDA's loan portal

2. 10 Day Deadline

THDA must receive the THDA Closed Loan Transmittal, the original Note, and all other required initial submission documentation within ten (10) calendar days following closing. Original notes will be delivered to THDA, all other documents will be uploaded to THDA's loan portal.

3. 120 Day Deadline

THDA must receive all necessary documentation, including the recorded Deed of Trust, Assignment, Title Insurance Policy, and final inspections within 120 days of closing. Failure to meet this deadline may result in a demand for loan repurchase.

Program Partner will receive notification of correction(s) to be made and Program Partner remains obligated to complete the file in a timely manner.

8.3. FAILURE TO MEET DELIVERY DEADLINES

THDA may demand repurchase of any loan closing file that is incomplete on the 151st day. THDA's demand will include repurchase instructions and the repurchase deadline. New Start Loans not previously purchased by THDA may not be purchased if, on the 121st day following closing, the loan closing file is incomplete.

THDA may require Program Partners who submit New Start Loans that do not comply with delivery deadlines to submit all final documents before any New Start Loans will be eligible for purchase by THDA. Program Partners who consistently fail to meet delivery deadlines may be suspended from originating New Start Loans, at THDA's sole discretion, until all delinquent loan files are completed.

8.4. REQUIRED DOCUMENTS FOR A COMPLETE CLOSED LOAN FILE

A. New Start Closed Loan Submission Checklist

A completed THDA New Start Closed Loan Submission Checklist must be used as the cover sheet when submitting closed loan files to THDA. See Section 10 for detailed instructions.

B. Request for Loan Purchase with Acknowledgement and Certification

Execute this form and enclose in the order indicated on the Closed Loan Submission form. See Section 10 for detailed instructions.

When THDA elects to purchase a New Start Loan, the purchase will be by wire transfer. A New Start Loan is eligible for purchase when the initial closed loan package, which must include the following documents, has been received by and is satisfactory to THDA:

- Original Note
- Copy of executed Deed of Trust with THDA Rider
- Title Insurance Commitment
- Copy of executed Warranty Deed
- Declaration page of Hazard Insurance
- Closing Disclosure

C. Original Note

Deliver the original Note, endorsed to THDA by an authorized Program Partner staff member, to THDA within 10 days after loan closing.

D. Deed of Trust

Upload a copy of the recorded Deed of Trust and Rider(s), or a copy (before recording) of the fully executed Deed of Trust and Rider(s) which have been certified as a true and exact copy by the Settlement Agent or an authorized Program Partner staff member.

All contracts for home loans made by a nonprofit lender with zero (0%) interest rate or low interest rate must contain the following restrictive covenant which must be prominently displayed on the face of each mortgage or deed of trust:

THIS INSTRUMENT SECURES A ZERO INTEREST OR LOW INTEREST RATE LOAN AS DEFINED UNDER TENNESSEE CODE ANNOTATED SECTION 66-4__ AND IS SUBJECT TO THE RESTRICTIONS THEREIN.

IT CANNOT BE REFINANCED, REPLACED OR CONSOLIDATED WITHOUT THE PRIOR WRITTEN APPROVAL OF THE LOCAL BOARD OF DIRECTORS OF THE NONPROFIT LENDER THAT FINANCED THE LOAN SO LONG AS THIS INITIAL ZERO (0%) INTEREST OR LOW INTEREST RATE LOAN IS IN EXISTENCE.

E. Affidavit of Affixation (Manufactured Home)

Enclose the original, fully executed and recorded Affidavit of Affixation.

F. Assignment

Upload a copy of the recorded Assignment, or a copy (before recording) of the fully executed Assignment which has been certified as a true and exact copy by an authorized Program Partner staff member.

THDA must receive a copy of the recorded Assignment on or before the 120 Day Deadline. The recorded Assignment must indicate the correct book and page reference for the recorded Deed of Trust and any subsequent re-recordings. The Title Insurance Policy or an endorsement must reflect the recording and any subsequent re-recordings of the Assignment.

G. Title Insurance Policy/Endorsements

Upload a copy of the Title Insurance Policy and all required endorsements. The Title Insurance Policy must be received by THDA on or before the 120 Day Deadline.

H. Warranty Deed

Upload a copy (before recording) of the fully executed Warranty Deed that conveys the Property to the Borrower. A copy of the recorded Warranty Deed may be provided, but is not required. In cases where only one spouse is the Borrower, that spouse must be the only grantee in the Warranty Deed.

I. Closing Disclosure

Enclose all pages of the final Closing Disclosure, signed by the borrower.

J. Hazard Insurance

THDA must receive a copy of the hazard insurance policy declarations page, or a copy of the Certificate of Insurance, signed by an authorized agent of the insurance company.

K. Flood Insurance (when applicable)

See [Section 7.4. Item 4.](#)

L. Commitment Conditions

Enclose any additional documents needed to satisfy, at closing conditions specified in the Commitment.

8.5. LOAN REPURCHASE

A. Repurchase Obligation

THDA, in its sole discretion, may refuse to purchase any New Start Loan and may require a Program Partner to repurchase any New Start Loan when any of the following exist:

1. Commitment conditions are not satisfied; or
2. The closed New Start Loan does not match all elements of the Commitment; or
3. The Program Partner fails to deliver closed loan documentation to THDA within specified deadlines; or
4. Any material fact discovered subsequent to the closing causes the New Start Loan to be ineligible for THDA financing.

A Program Partner who fails to repurchase New Start Loans upon demand may be suspended from submitting new loan applications to THDA, and THDA may pursue other remedies.

B. Repurchase Price

The amount necessary to repurchase a New Start Loan is

1. The sum of the outstanding principal and interest, and
1. Monthly escrow adjustment.
2. Additional fees as applicable.

C. Repurchase Procedure

When THDA demands repurchase of a New Start Loan, the following procedures apply:

1. THDA will provide instructions for obtaining the repurchase price from the New Start servicer and specify a deadline.
2. The Program Partner must prepare an Assignment from THDA to the Program Partner and submit it to THDA for execution.
3. The Program Partner must wire the required repurchase price to the New Start servicer according to instructions provided by THDA.
4. Upon receipt of the repurchase price, THDA will sign and notarize the Assignment and return it to the Program Partner with the loan file.

New Start Loans declared ineligible for purchase by THDA and New Start Loans repurchased from THDA are not eligible for subsequent purchase by THDA.

8.6. SERVICING PROCEDURES

All loans shall be sold servicing-released to THDA dba Volunteer Mortgage Loan Servicing (VMLS). VMLS servicing effective date is the THDA purchase date.

A. Tax and Insurance Escrow

The initial Escrow Account Disclosure statement must be completed accurately to be sure sufficient funds are collected at closing. The initial escrow funds will be deducted from the purchase of the loan.

B. Volunteer Mortgage Loan Servicing Directory

VMLS staff is available to answer any question Monday-Friday, 8am-5pm CST.

VMLS Customer Service: 844-865-7378

ADDRESSES:

Physical Address:

Volunteer Mortgage Loan Servicing
404 James Robertson Pkwy, Suite 1450
Nashville, TN 37219-1536

Payment Address:

Volunteer Mortgage Loan Servicing
PO Box 305170
Nashville, TN 37230-5170

Email Address:

custserv@volservicing.com

Primary Escalation Contacts for VMLS

Director: Trebia Johns

(615)649-3424
tjohns@volservicing.com

Sr. Loan Servicing Advisor: Heather Johnson

(615)649-3420
hjohnson@volservicing.com

Collection Manager: Gary Goad

(615)649-3429
ggoad@volservicing.com

C. Payments Received After Purchase

In the event the Originating Agent receives a mortgage payment **AFTER** THDA purchases the loan, the payment is to be sent to VMLS immediately.

1. Email payments@vol servicing.com indicating the amount received, the date received, and method for transferring the payment in full to VMLS.
2. Payment can be mailed to the VMLS Physical Address:
Volunteer Mortgage Loan Servicing
404 James Robertson Pkwy, #1450
Nashville, TN 37219-1536
3. Or, payment can be wired with a confirmation email sent to payments@vol servicing.com.

D. Payments Received Prior to Purchase

If a payment is received **PRIOR** to THDA Purchase, the Originating Agent is to notify VMLS immediately but retain the payment until THDA purchases the loan.

Email payments@vol servicing.com indicating the amount received and the date received.

SECTION 9: ASSUMPTIONS OF NEW START LOANS

9.1. OVERVIEW

During the term of a New Start loan, only one assumption may take place per property within 10 years of the original note date. The loan must be current at the time of assumption application.

In the event a New Start Borrower needs to vacate the property because they are not able to financially sustain the home, the New Start Partner may use one of the following options:

1. The New Start Partner can work with the existing New Start homeowner to facilitate the sale of the property from the seller to a new eligible New Start Borrower.
2. In the event a New Start borrower needs to vacate the property **due to circumstances other than foreclosure**, to the extent permissible under any secondary financing documentation, the Program Partner may continue to pay THDA on behalf of the borrower, for a period not to exceed 6 months from the date the homeowner has signed the **Intent to Allow an Assumption Disclosure** by which time a subsequent eligible borrower must be approved by THDA for an assumption of the original note. During the term of a New Start loan only one assumption may take place per property within 10 years of the original note date. If an assumption of the original note is not completed and closed by the end of the six month period the New Start Program Partner must repurchase the New Start loan.

9.2. SUBMISSION OF ASSUMPTIONS

The New Start Partner will submit to THDA a copy of the sales contract.

THDA will process all assumption applications.

SECTION 10: NEW START FORMS AND INSTRUCTIONS

10.1. OVERVIEW

As a result of Tax Code requirements, THDA must require certain forms. Application files or closed loan packages that do not contain fully executed THDA forms, as required; will not be accepted by THDA. These forms must be included in THDA application files and in THDA closed loan packages as indicated in this Program Guide. THDA forms are in addition to the typical forms utilized in the mortgage industry.

THDA forms may not be altered.

THDA forms may not be distributed to any entity who is not a Program Partner or to any other unauthorized individual or entity.

Detailed instructions for completion of each THDA form follows in the order that they are typically encountered in the lending process:

[Application Declaration HO-0450 \(09/21\)](#)

[Veteran Exemption Application Declaration HO-0460 \(09/21\) \(if applicable\)](#)

[Notice to Applicants Federal Recapture Requirements HO-0448 \(05/21\)](#)

[Seller Declaration HO-0451 \(09/21\)](#)

[Buyer Profile HO-0439 \(02/15\)](#)

[New Start Underwriting Submission Checklist HO-0495 \(09/21\)](#)

[New Start Details of Purchase HO-0497 \(08/15\)](#)

[THDA Rider HO-0440 \(08/03\)](#)

[Affidavit of Affixation HO-0453 \(12/06\)](#)

[New Start Closed Loan Submission Checklist HO-0496 \(09/21\)](#)

[Request For Loan Purchase with Acknowledgement and Certification HO-0444 \(12/19\)](#)

[Intent to Allow an Assumption Disclosure HO-0494 \(08/15\)](#)

10.2. NEW START FORMS AND INSTRUCTIONS

A. **Application Declaration HO-0450 (09/21) THDA or Veteran Exemption Application Declaration HO-0460 (09/21) THDA (If Applicable)**

The Application Declaration or Veteran Exemption Application Declaration (if applicable) must be executed by each applicant and non-qualifying spouse. The household income figure to be provided in item #3 is the maximum allowable income for the size of the applicant's household and location of property. The acquisition cost figure to be provided in item #4 is the maximum THDA acquisition cost for the county in which the property is located. The original Application Declaration or Veteran Exemption Application Declaration is required by THDA. All changes or whiteouts must be initialed by the Applicant(s).

Each Application Declaration or Veteran Exemption Application Declaration must be executed and notarized within the State of Tennessee; however, in rare circumstances, an Application Declaration or Veteran Exemption Application Declaration may be executed and notarized outside the State of Tennessee, such as when a person is a member of the armed forces, is stationed outside the state and is unable to be present while the application is being processed.

B. Notice to Applicants Federal Recapture Requirements HO-0448 (5/21) THDA

This form is mandatory for all New Start Loan applications. The Applicant and all Co-Applicants must sign and date the form at the time of application. Provide a copy of the executed form to the Applicant. Enclose the original signed and dated form in the application file when submitted for THDA underwriting.

C. Seller Declaration HO-0451 (09/21) THDA

The seller of the Property must complete a Seller Declaration for each New Start Loan application file submitted to THDA. The seller must sign and date the Seller Declaration, and it must be notarized. Enclose the original Seller Declaration in the application file when submitting for THDA underwriting.

D. Buyer Profile HO-0439 (02/15) THDA

This form is critical to facilitate accurate reports by THDA. Complete this form accurately and completely and enclose it in the application file when submitted for THDA underwriting.

E. New Start Underwriting Submission Checklist HO-0495 (09/21) THDA

Use this form as a cover sheet for all New Start Loan application files submitted to THDA.

Follow the checklist closely and complete all information.

The checklist has three main sections:

1. General Information.
2. THDA Program Eligibility. Must include original documents, notarized as indicated.
3. Credit Package. Must include documentation, as indicated.

Program Partner Information: Provide complete information, including the Program Partner's four-digit number as assigned by THDA.

Primary Applicant: Include primary Applicant's name as it will appear on all documents.

Property Address: Must be accurate and consistent on all documents.

Submission Purpose: As indicated, this form may be used for purposes in addition to the initial submission of an application file.

Property Type: Indicate the correct property type. Check the appropriate block to indicate a residence that is a single family detached or a condominium. Check "Other" and indicate in the blank provided if the residence is a PUD, townhouse, zero lot line, modular or manufactured home.

F. New Start Details of Purchase HO-0497 (08/15) THDA

This form is used to determine the number and dollar amount of all subordinate financing and whether amortizing or forgivable subordinate liens.

G. THDA Rider HO-0440 (08/03) THDA

The THDA Rider must be completed, executed, attached to and recorded with the deed of trust for all New Start Loans. The THDA Rider must be signed by all Applicants who are required to sign the first deed of trust and recorded with the deed of trust.

H. Affidavit of Affixation HO-0453 (12/06)

An original Affidavit of Affixation is required on all manufactured home loans and must be recorded with the Deed of Trust.

I. New Start Closed Loan Submission Checklist HO-0496 (09/21) THDA

Use this form when submitting all closed loan files to THDA. This form can also be used as a checklist for submission of follow-up documentation. If a Homeowner Association is applicable, and association fees are to be escrowed, it is the Program Partner's responsibility to provide the information to THDA with the closed loan submission, including company, amount, and frequency of payments due.

J. Request For Loan Purchase With Acknowledgement and Certification HO-0444 (02/18)

Submit an executed Request for Loan Purchase with Acknowledgement and Certification for each New Start Loan when delivered to THDA. By submitting a New Start Loan file to THDA for purchase, each Program Partner is deemed to affirm the Acknowledgement and Certification appearing on the master form of the Request For Loan Purchase with Acknowledgement and Certification with respect to each New Start Loan file submitted regardless of whether the Acknowledgement and Certification is included with the form submitted with a particular New Start Loan file.

Provide all information indicated. Check the appropriate box indicating whether the New Start Loan file is complete in all respects or not. Sign and date where indicated, print name and title, and provide telephone number.

K. Intent to Allow an Assumption Disclosure HO-0494 (08/15)

Use this form when borrower needs to vacate the property for reasons other than foreclosure.