Ralph M. Perrey, Executive Director

NEW START PROGRAM GUIDE
REVISION 26

March 27, 2019

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EFFECT OF CHANGE

Effective March 27, 2019, the maximum acquisition cost for the following 6 designated counties will increase to $190,000, with a maximum New Start Mortgage Loan amount of $123,750.

Davidson	Sumner
Maury	Williamson
Rutherford	Wilson

All other counties will continue to have a maximum acquisition limit of $150,000, maximum loan to value of 75% with a maximum loan amount of $112,500.

SECTION 1: THDA

1.1 THE GUIDE

This New Start Program Guide amends and replaces the New Start Program Guidelines dated March 2007, (the "Prior Guidelines") 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 Guidelines shall apply to all New Start Loans closed prior to November 1, 2015, and this Program Guide shall apply to all New Start Loans closed on or after November 1, 2015.

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 Guidelines 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 7:30 a.m. until 4:30 p.m. Central Time, Monday through Friday. The Single Family Programs Division will be closed on official State holidays which are as follows:

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

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

**Other holidays around Christmas may be announced later.

1.3 SINGLE FAMILY 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

General Information 615-815-2100
Toll-Free Voice Mail...................................1-800-228-8432

Loan Operations Staff	Telephone	Email Address
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
Nancy Herndon, Assistant to Director of Loan Operations	615-815-2101	nherndon@thda.org
Rhonda Ellis, Mortgage Loan Specialist, Processing	615-815-2103	rellis@thda.org
Susan Pinkney, Mortgage Loan Specialist, Processing	615-815-2108	spinkney@thda.org
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Kendra Love, HUD Housing Education Counseling Coordinator-West TN	615-815-2138	klove@thda.org
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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 $123,750**	The lesser of 75% of appraised value or sales price*. Not to exceed $123,750**
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 1st mortgage	Maximum 1% on 1st mortgage
Maximum 1st Mortgage Loan	$112,500* or $123,750**	$112,500* or $123,750**
Maximum 2nd Mortgage Loan	$37,500* or $66,250**	$37,500* or $66,250**
Maximum Sales Price	$150,000* or $190,000**	$150,000* or $190,000**

** Applies to the following six counties: **Davidson**, **Maury**, **Rutherford**, **Sumner**, **Williamson**, **Wilson**

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

B. Maximum Household Income Limits for Tier I by County

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

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

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

C. Maximum Household Income Limits for Tier II by County

Maximum Income Limits for New Start Program Tier II					
	1-4 Person	**5 Person**	**6 Person**	**7 Person**	**8 Person**
ANDERSON	$42,910	$46,343	$49,776	$53,208	$56,641
BEDFORD	$37,730	$40,748	$43,767	$46,785	$49,804
BENTON	$37,730	$40,748	$43,767	$46,785	$49,804
BLEDSOE	$37,730	$40,748	$43,767	$46,785	$49,804
BLOUNT	$42,910	$46,343	$49,776	$53,208	$56,641
BRADLEY	$37,730	$40,748	$43,767	$46,785	$49,804
CAMPBELL	$37,730	$40,748	$43,767	$46,785	$49,804
CANNON	$46,340	$50,047	$53,754	$57,462	$61,169
CARROLL	$37,730	$40,748	$43,767	$46,785	$49,804
CARTER	$37,730	$40,748	$43,767	$46,785	$49,804
CHEATHAM	$46,340	$50,047	$53,754	$57,462	$61,169
CHESTER	$37,730	$40,748	$43,767	$46,785	$49,804
CLAIBORNE	$37,730	$40,748	$43,767	$46,785	$49,804
CLAY	$37,730	$40,748	$43,767	$46,785	$49,804
COCKE	$37,730	$40,748	$43,767	$46,785	$49,804
COFFEE	$37,730	$40,748	$43,767	$46,785	$49,804
CROCKETT	$37,730	$40,748	$43,767	$46,785	$49,804
CUMBERLAND	$37,730	$40,748	$43,767	$46,785	$49,804
DAVIDSON	$46,340	$50,047	$53,754	$57,462	$61,169

DECATUR	$37,730	$40,748	$43,767	$46,785	$49,804
DEKALB	$37,730	$40,748	$43,767	$46,785	$49,804
DICKSON	$46,340	$50,047	$53,754	$57,462	$61,169
DYER	$37,730	$40,748	$43,767	$46,785	$49,804
FAYETTE	$40,810	$44,075	$47,340	$50,604	$53,869
FENTRESS	$37,730	$40,748	$43,767	$46,785	$49,804
FRANKLIN	$37,730	$40,748	$43,767	$46,785	$49,804
GIBSON	$37,730	$40,748	$43,767	$46,785	$49,804
GILES	$37,730	$40,748	$43,767	$46,785	$49,804
GRAINGER	$37,730	$40,748	$43,767	$46,785	$49,804
GREENE	$37,730	$40,748	$43,767	$46,785	$49,804
GRUNDY	$37,730	$40,748	$43,767	$46,785	$49,804
HAMBLEN	$37,730	$40,748	$43,767	$46,785	$49,804
HAMILTON	$39,900	$43,092	$46,284	$49,476	$52,668
HANCOCK	$37,730	$40,748	$43,767	$46,785	$49,804
HARDEMAN	$37,730	$40,748	$43,767	$46,785	$49,804
HARDIN	$37,730	$40,748	$43,767	$46,785	$49,804
HAWKINS	$37,730	$40,748	$43,767	$46,785	$49,804
HAYWOOD	$37,730	$40,748	$43,767	$46,785	$49,804
HENDERSON	$37,730	$40,748	$43,767	$46,785	$49,804
HENRY	$37,730	$40,748	$43,767	$46,785	$49,804
HICKMAN	$37,730	$40,748	$43,767	$46,785	$49,804
HOUSTON	$37,730	$40,748	$43,767	$46,785	$49,804
HUMPHREYS	$37,730	$40,748	$43,767	$46,785	$49,804
JACKSON	$37,730	$40,748	$43,767	$46,785	$49,804
JEFFERSON	$37,730	$40,748	$43,767	$46,785	$49,804
JOHNSON	$37,730	$40,748	$43,767	$46,785	$49,804
KNOX	$42,910	$46,343	$49,776	$53,208	$56,641
LAKE	$37,730	$40,748	$43,767	$46,785	$49,804
LAUDERDALE	$37,730	$40,748	$43,767	$46,785	$49,804
LAWRENCE	$37,730	$40,748	$43,767	$46,785	$49,804
LEWIS	$37,730	$40,748	$43,767	$46,785	$49,804
LINCOLN	$38,080	$41,126	$44,173	$47,219	$50,266
LOUDON	$42,910	$46,343	$49,776	$53,208	$56,641
MACON	$37,730	$40,748	$43,767	$46,785	$49,804
MADISON	$37,730	$40,748	$43,767	$46,785	$49,804
MARION	$37,730	$40,748	$43,767	$46,785	$49,804
MARSHALL	$37,730	$40,748	$43,767	$46,785	$49,804
MAURY	$39,900	$43,092	$46,284	$49,476	$52,668
MCMINN	$37,730	$40,748	$43,767	$46,785	$49,804
MCNAIRY	$41,020	$44,302	$47,583	$50,865	$54,146
MEIGS	$37,730	$40,748	$43,767	$46,785	$49,804

MONROE	$37,730	$40,748	$43,767	$46,785	$49,804
MONTGOMERY	$37,730	$40,748	$43,767	$46,785	$49,804
MOORE	$40,320	$43,546	$46,771	$49,997	$53,222
MORGAN	$37,730	$40,748	$43,767	$46,785	$49,804
OBION	$37,730	$40,748	$43,767	$46,785	$49,804
OVERTON	$37,730	$40,748	$43,767	$46,785	$49,804
PERRY	$37,730	$40,748	$43,767	$46,785	$49,804
PICKETT	$37,730	$40,748	$43,767	$46,785	$49,804
POLK	$37,730	$40,748	$43,767	$46,785	$49,804
PUTNAM	$37,730	$40,748	$43,767	$46,785	$49,804
RHEA	$37,730	$40,748	$43,767	$46,785	$49,804
ROANE	$37,730	$40,748	$43,767	$46,785	$49,804
ROBERTSON	$46,340	$50,047	$53,754	$57,462	$61,169
RUTHERFORD	$46,340	$50,047	$53,754	$57,462	$61,169
SCOTT	$37,730	$40,748	$43,767	$46,785	$49,804
SEQUATCHIE	$39,900	$43,092	$46,284	$49,476	$52,668
SEVIER	$37,730	$40,748	$43,767	$46,785	$49,804
SHELBY	$40,810	$44,075	$47,340	$50,604	$53,869
SMITH	$39,270	$42,412	$45,553	$48,695	$51,836
STEWART	$37,730	$40,748	$43,767	$46,785	$49,804
SULLIVAN	$37,730	$40,748	$43,767	$46,785	$49,804
SUMNER	$46,340	$50,047	$53,754	$57,462	$61,169
TIPTON	$40,810	$44,075	$47,340	$50,604	$53,869
TROUSDALE	$46,340	$50,047	$53,754	$57,462	$61,169
UNICOI	$37,730	$40,748	$43,767	$46,785	$49,804
UNION	$42,910	$46,343	$49,776	$53,208	$56,641
VAN BUREN	$37,730	$40,748	$43,767	$46,785	$49,804
WARREN	$37,730	$40,748	$43,767	$46,785	$49,804
WASHINGTON	$37,730	$40,748	$43,767	$46,785	$49,804
WAYNE	$37,730	$40,748	$43,767	$46,785	$49,804
WEAKLEY	$37,730	$40,748	$43,767	$46,785	$49,804
WHITE	$37,730	$40,748	$43,767	$46,785	$49,804
WILLIAMSON	$46,340	$50,047	$53,754	$57,462	$61,169
WILSON	$46,340	$50,047	$53,754	$57,462	$61,169

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 $112,500 is required to be maintained by the provider partner, or a letter of credit for a minimum of $112,500 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 provide pre-purchase and post-purchase homebuyer education prior to closing each New Start Loan. A minimum of 8 hours face to face is required for pre-purchase education and 4 hours of post-purchase education with one of THDA's certified trainers 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.

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 LIMITS

A. Defining Acquisition Cost

Property to be financed with a New Start Loan cannot be purchased for an amount that exceeds the applicable sales price limit. Generally, the Acquisition Cost is the total cost of acquiring the Property as a completed residential unit. Current Acquisition Cost limits are $150,000 for all counties, except the following six (6) counties, which are $190,000: Davidson, Maury, Rutherford, Sumner, Williamson, and Wilson.

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 $112,500 for all counties, except the following six (6) counties, which cannot exceed $123,750: Davidson, Maury, Rutherford, Sumner, Williamson, and Wilson.

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 HOUSEHOLD INCOME LIMITS

A. Income Limits

1. Tier I: See Section 1.4 B.
2. Tier II: See Section 1.4 C.

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

A household, for purposes of determining Household Income for a New Start Loan, includes all persons 18 years of age or older who intend to live in the Property, all minors who will live in the Property, and any spouse who is absent or separated, regardless of whether they intend to occupy the Property. Any relative, friend or fiancé who intends to occupy the Property is a household member for purposes of determining Household Income.

2. Separated Applicant

A separated Applicant must be treated as married, and the Applicant, together with the Applicant's separated spouse, must meet all New Start Loan Program requirements. A separation agreement is not sufficient to waive this requirement. 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, a current pay stub with verification of hire date and their previous year's Federal Income Tax Return, so that an accurate determination of Household Income can be made.

C. Defining Household Income

The Applicant cannot have, at the time of application or at closing, a Household Income, calculated in accordance with this section, greater than the applicable Household Income Limit shown in Section 1. Household Income includes all income of all Household members and all heads-of-household or spouses who do not live in the Property, except as noted in "Exclusions From Household Income" below.

Household Income is the total annual gross income, earned and unearned, from all sources, before taxes or other deductions, received by the Applicant, all other persons 18 years of age or older and all minors who will live in the Property, and any spouse who is absent or separated, regardless of whether they intend to occupy the Property.

D. Household Income Inclusions

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

1. Wages: salary or hourly;
2. Overtime earnings, fees, tips and other compensation for personal services;
3. Bonuses, commissions, vacation pay, shift differential and holiday pay;
4. Social Security payments, SSI etc. can be grossed up 25%;
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 a household member); also, the greater of actual earnings or imputed earnings from liquid assets in excess of $5,000.00.
6. Periodic, determinable allowances such as alimony, child support and other recurring payments or gifts from persons who will not reside in the Property;

7. Periodic payments from annuities, insurance policies, pensions, retirement funds, royalties, sick pay, trust income, disability, death benefits or other type of periodic payments, including lump sum payments for the delayed start of a periodic payment (except Social Security and SSI);

8. Armed Forces pay, including regular pay, special pay and allowances (excluding special pay for exposure to hostile fire). Armed forces pay for a head-of-household or spouse is always included, whether they are living in the household or not;

9. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except lump sum payments as noted in "Exclusions From Household Income");

10. Welfare assistance;

11. Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Act of 1970;

12. Benefit and other non-earned income, including amounts paid directly to or on behalf of minors and full-time students;

13. Any other source of income, except as noted in "Exclusions From Household Income".

14. Total annual net income from operating a business or profession, including expenditures for business expansion or capital indebtedness, and withdrawal of cash or assets except to the extent the withdrawal is for reimbursement of cash or assets invested in the operation by a household member; an allowance for deduction of straight line depreciation of assets used in the operation is allowed.

E. Household Income Exclusions

When calculating Household Income <u>do</u> <u>not</u> include:

1. Earned income from employment of children and foster children under age 18; however, benefits and other non-earned income paid directly to or on behalf of minors and full-time students is counted as Household Income;

2. Amounts that are specifically for, or in reimbursement of, the cost of medical expenses for a household member;

3. Income of a live-in aide;

4. Student financial assistance (educational grants, scholarships, educational entitlements, work-study programs and financial aid packages) paid directly to the student or to the educational institution;

5. Earned income of full-time students 18 years old or older who can be claimed as a dependent by a household member; (earned income of a head-of-household or spouse who is a full-time student must be included in Household Income);

6. Armed Forces special pay for exposure to 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, transportation, child care, etc.) and which are made solely to allow participation in a specific program, such as the Community Work Experience Program, or the Employment Search Program; this exemption also includes volunteer fire-fighters;

11. The value of Food Stamps;

12. 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;

3.3 QUALIFYING INCOME

Qualifying Income can vary from Household income. While Household income is collected to verify the household 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 30

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

Applicant's, including spouses, 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. Any interest evidenced by Applicant and/or Applicant's spouse name appearing on a deed to property occupied by Applicant and/or spouse as their principal residence;
2. A fee simple interest;
3. A joint tenancy;
4. A tenancy in common;
5. A tenancy by the entirety;
6. The interest of a tenant-shareholder in a cooperative;
7. A life estate;
8. A land contract;
9. Ownership of a manufactured home and the land on which it was located, if the manufactured home was titled and assessed as real property;
10. Any interest inherited from another under a will or by operation of law, regardless of the existence of a deed;
11. 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;
12. A marital interest;
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 THDA's mortgage programs. 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 as determined by THDA; 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 30 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. Must be a U.S. citizen or permanent resident alien providing proper documentation.

4.2 PROPERTY

A. Eligible Property

Eligible Property must meet ALL of the following requirements:

1. Be one of the following:

   (a) New or proposed construction; not to be occupied prior to closing.

   (b) Detached or attached housing, including duplexes, townhomes, and condominiums.

   (c) Any of the below types of residences, new or proposed:

      (1) built on site, or

      (2) a modular home permanently attached to a foundation (in compliance with HUD guidelines), or

      (3) 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.

2. 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 arms length transaction. Employees or board membersof 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.

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 <u>may,</u> 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

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%.

C. Maximum Loan Amount

The maximum New Start loan amount may not exceed $112,500, or $123,750 in the following 6 counties: Davidson, Maury, Rutherford, Sumner, Williamson, Wilson.

D. 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.

E. 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.

F. Prepayment Penalty

Prepayment penalties are not permitted on New Start Loans.

G. Late Charge

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

H. Assumptions

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

I. Origination Fees and Discount Points

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

J. 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.

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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 Affidavit and the income of all persons must be included in calculating Household 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 area.
2. Items required as documentation on the non-qualifying spouse:
   a. Income verified and a current pay stub.
   b. Signature on an original Application Affidavit (can be on the same Affidavit as Applicant or on a separate Affidavit).
   c. Copy of the most recent tax year Federal Income Tax Return and W-2's.
   d. Signature on the Deed of Trust at closing (encumbering marital interest).
   e. 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. This income verification and documentation is also required for a non-qualifying spouse and any other person, 18 years of age or older, who intends to live in the Property.

Part time income will be used in the household 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.

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.

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. Buyer Profile

A completed Buyer Profile must be included in the application file when submitted for THDA underwriting. See Section 10 for instructions.

C. Application Affidavit

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

D. Veteran Exemption Application Affidavit

The original executed and notarized Veteran Exemption Application Affidavit 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 Affidavit and the veteran's spouse does not have to meet the three year requirement.

E. Seller Affidavit

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

F. 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) and/or any non-qualifying spouse must be included in the initial application file. Copies of signed and dated Federal Income Tax Return for the most recent tax year is also required for any household member 18 years or older who is required to file a Federal Income Tax Return.

If an Applicant or other household member 18 years of age or older cannot provide a copy of their most recent Federal Income Tax Return, they must obtain an IRS Tax Transcript or IRS Letter 1722, which are available from the IRS office where the tax return was filed. The Tax Transcript must be signed and dated by the tax payer. Transcripts may be ordered by using IRS Form 4506T. If an Applicant or household member was not required to file a Federal Income Tax Return, provide a signed and dated statement specifying why they were not required to file.

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.

G. 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.)

H. Grants/Downpayment Assistance Approval Letters

If the Applicant expects to receive a grant or downpayment 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.

I. 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.

J. 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.

K. Loan Application (1003)

Include the initial 1003, signed and dated by the Applicant(s) and the Program Partner. Three years of residency should be stated on the 1003.

L. 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.

M. 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.

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

See Section 5.2.

P. 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.

Q. Verification of Deposit or Most Recent Bank Statement

See Section 5.2.

R. 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.

S. 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.

T. 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.

U. 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.

V. 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.

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.

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 may be conditioned by THDA as follows:

1. Commitments will be issued with prior to closing conditions that must be satisfied before the New Start Loan can be closed, and/or

2. Commitments may be issued with conditions indicated under the heading "Receipt, With Closing Documents" (closing conditions).

D. Satisfying THDA Commitment Conditions

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

2. 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.

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 Processing 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 <u>less</u> <u>than</u> 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 <u>more</u> <u>than</u> 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.**

<u>6.5 FUNDING NEW START LOANS</u>

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.