ORIGINATING AGENTS
GUIDE REVISION 146

July 15, 2019

Remove and discard:   Replace with enclosed:

Page 23 (Revised 04/04/17) ...................................................... Page 23 (Revised 07/15/19)
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Closed Loan Submission Checklist
HO-0541 (Revised 02/18) ......................................................HO-0541 (Revised 07/19)

EFFECT OF CHANGE

Effective July 15, 2019, the following changes apply to the Great Choice Mortgage Loan closing process:

1. The maximum allowable amount for Hazard Insurance deductible will be the maximum of 1% of the loan amount, $2,500 or the maximum of guarantor’s guidelines for VA and USDA loans.

2. The verbal verification of employment (VVOE) utilized by lenders to confirm the borrower's current employment status within 10 business days prior to the note date must be included in the closing package. This item is added to the Closed Loan Submission Checklist HO-0541.
Tennessee Housing Development Agency (THDA)  
Closed Loan Submission Checklist

OA Name: ________________________________________ THDA Loan #: ____________

Contact Person: ________________________________________ Primary Borrower: __________________________

Phone: (______) __________________________ Date Loan Closed: __________________________

Please upload package to: OLS.THDA.ORG

In each space below, check items enclosed, or enter “TF” (to follow), or “NA” (not applicable). Assemble package in order listed. All items except those with an asterisk must be in package at initial delivery (which must be within 10 days of the date loan closed). All items must be complete, fully executed, dated and notarized, if required, all as indicated in each document and the Originating Agents’ Guide.

___ Request for Loan Purchase with Acknowledgement and Certification
___ Power of Attorney, if applicable
___ Initial Escrow Account Disclosure
___ Executed Enforceable Obligation Letter (FHA only)
___ Original Note, endorsed to THDA
___ Original Second Mortgage Note
___ *Recorded Deed of Trust and Riders, if applicable; copy of unrecorded with closing package
___ Recorded second mortgage deed of trust, if applicable; copy of unrecorded with closing package
___ *Recorded Affidavit of Affixation (Manufactured Homes)
___ *Recorded Assignment from OA to THDA (n/a if MERS documents submitted) if applicable
___ *Title Insurance Policy with THDA named as insured
___ Executed Warranty Deed (Certified copy of recorded Warranty Deed if Manufactured Home)
___ Signed Closing Disclosure
___ THDA Settlement Statement (HUD-1) for second mortgage
___ Revised Loan Estimate (if applicable)
___ Final executed 1003
___ Hazard Insurance policy declarations page or Certificate of Insurance with THDA as named insured, maximum deductible of $2500
___ Life of Loan Flood Hazard Determination
___ Notice to Borrower in Special Flood Hazard Area, if applicable
___ Flood Insurance Application with THDA as named insured and copy of premium check (if applicable)
___ Address Certification (if applicable)
___ Name Affidavit (if applicable)
___ Copy of clear Termite Letter or soil treatment certificate (if applicable)
___ Escrow Agreement for Repairs or Completion of Construction (if applicable)
___ THDA Commitment conditions satisfied
___ IRS Form 4506
___ Final inspection, if applicable
___ Verbal Verification of Employment within 10 days of note date
___ Hello/Goodbye letter – Notice of Transfer of Servicing
___ *Copy of MIC/LGC/Original RECD 1980-17, OR as applicable:
   ___ Lender query from FHA connection reflecting THDA as the holder
   ___ Copy of completed USDA/RD 1980-11 and 1980-18 (conditional commitment)
___ PRIOR TO PURCHASE -- Original Certificate of Title or Original Manufactured Certificate of Origin (Manufactured Home) if not included in Underwriting Submission Package

FINAL MANDATORY DELIVERY DATE FOR ALL ITEMS:
Closing date + 120 days = ________________, ___.

HO-0541 (07.19)
2. Great Choice Plus

The Great Choice Plus loan is a 0% interest rate, deferred payment, forgiveable second lien. The second mortgage loan is forgiven at the end of the term of the Great Choice first mortgage loan. Great Choice Plus second mortgage loans can only be used for closing costs, prepaids and down payment assistance.

F. Prepayment Penalty

Prepayment penalties are not permitted on THDA loans.

G. Late Charge

Late charges, if any, must be reflected in the Deed of Trust and Note and must be in compliance with program insurer’s guidelines.

H. Origination Fee

Only the authorized Origination Fee may be charged.

I. Assumptions

THDA first mortgage loans are assumable only if the person assuming the THDA loan meets all THDA program requirements applicable to new THDA loans, and the assumption application is approved by THDA. Assumption applications are processed by THDA or the THDA Servicer of the loan to be assumed.

THDA second mortgage loans are not assumable with the exception of a VA assumption.

4.4 FEDERAL RECAPTURE

All THDA loans closed after December 31, 1990, are subject to the federal recapture tax. The recapture tax is designed to recapture a portion of the subsidy associated with THDA loans. Recapture tax liability must be determined at the time the property is sold, if the sale occurs within nine years from the closing of the THDA loan. Refinancing a THDA 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 THDA loan closing, recapture tax liability must be determined at the time of sale. THDA Originating Agents notify the Applicant about recapture tax at the time a THDA loan application 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 THDA loan is outstanding, and the original THDA loan amount. The exact amount to be paid, if any, cannot be determined until the property is sold.

A THDA loan, originally closed after December 31, 1990, that is assumed within nine years from the date of the original THDA loan closing is subject to the recapture tax for an additional nine year period beginning on the date of the assumption.

For further information regarding the federal recapture tax, advise Applicants or Borrowers 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 or through the IRS website at www.irs.gov.
6.6 FUNDING THDA LOANS

Funding Method

All THDA first mortgage loans and THDA Great Choice Plus second mortgage loans are funded by the Purchase Method. Under this funding method, the loan closes with the Originating Agent’s funds after all Prior-to-Closing conditions have been cleared by THDA. After the closed loan file is delivered to THDA with acceptable documentation, THDA may purchase the loan.

6.7 ADDITIONAL INFORMATION

A. Scheduling Loan Closings

Depending on volume, THDA attempts to review application files in the order of date received within 5 business days following the date of receipt. Application files received later than those already on hand will not be underwritten out-of-turn due to a scheduled closing date or the personal circumstances of an Applicant or a seller. Applications hand delivered by the Originating Agent after 3:00 P.M. will be considered received the following day for processing purposes. Applications received during the final 5 business days of the month should not be expected to close by end of month.

B. Change Of Property

If, at any time between application and closing, the Applicant wishes to purchase a different property, a new transaction is created. If property is substituted before the application file is submitted to THDA, be sure all references to the original property are omitted (including information on the 1003), and a correct sales contract, appraisal and all original THDA Affidavits showing correct property address are enclosed.

If the Applicant wishes to purchase a property different from that which is indicated in the Commitment, the Commitment is void and a new application reflecting the correct property must be submitted to THDA.

C. Change in Employment

If, at any time between commitment issued and closing, the Applicant is no longer employed at the employment listed on the 1003, as determined by the Verbal Verification of employment (VVOE), THDA must be notified immediately. The commitment is voided.

If the Applicant wishes to continue with the purchase of the property, a correct 1003, income documentation and new approval documents must be provided and a new commitment will be issued.
B. **Warranty Deed**

The Warranty Deed must convey the property to the borrower(s) indicated on the Commitment.

C. **Termite Inspection/Treatment Certificate**

Termite Inspections/Treatment Certificate provided as required by the insurer, guarantor or the appraiser.

D. **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 Borrower 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.

The maximum allowable amount for deductible will be the maximum of 1% of the loan amount, $2,500 or the maximum of guarantor’s guidelines for VA and USDA loans. The deductible clause may apply to either fire, extended coverage, or both.

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 (THDA Servicer), 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 Originating Agent must submit the original policy or certificate to the THDA Servicer promptly after closing and a copy of the declarations page to THDA with the closed loan package.

For loans in condominium developments, secure a Certificate of Insurance for the blanket hazard insurance policy that covers the development or building.

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 Borrower, 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 Borrower from collecting insurance proceeds.

E. **Flood Insurance**

Flood insurance is mandatory for all 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 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, subject to the rules of the loan insurer or guarantor.
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 the appraised value are outside of Flood Zone A.

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

The maximum allowable amount for deductible will be the maximum of 1% of the loan amount, $2,500 or the maximum of guarantor’s guidelines for VA and USDA loans.

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.

F. Escrow for Repairs or Completion of Construction

Escrows for repair should be avoided. 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, and the completion date which may not exceed 60 days.

Loans should be closed with repair escrows only if the repairs are minor and can be completed quickly. Escrows for completion of construction should only be for minor items, such as final landscaping that is delayed due to seasonal weather.

The amount to be placed in escrow for the completion of repairs or construction must be the greater of (a) 150 percent of the estimated cost of the repairs or the estimated cost to complete construction or (b) the amount required by the applicable loan insurer or guarantor.

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

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

G. Closing Disclosure

The Closing Disclosure (CD) is required. The principal amount of the second loan should be listed on the CD for the first loan.

H. Verbal Verification of Employment (VVOE)

The verbal verification of employment (VVOE) utilized by lenders to confirm the borrower’s current employment status within 10 business days prior to the note date must be included in the closing package.

7.5 OTHER REQUIREMENTS

A. Close In The Name Of

All THDA approved Great Choice loans must be closed in the name of the Originating Agent noted on the Commitment and are assigned to THDA. THDA Great Choice Plus loans must be closed in the name of THDA.