

News Release



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Leading Tennessee Home

Interest Rates Lowered, Tax Credit Leveraged Changes in THDA Mortgage Program Announced

NASHVILLE, June 1, 2009 – Several changes are making the Homeownership Choices offered by Tennessee Housing Development Agency (THDA) even more affordable today.

The mortgage interest rates have been lowered on Great Rate/Save, Great Advantage and Great Start, and THDA is making the federal tax credit useful at time of closing.

- The Great Rate interest rate is 5.20%.
- Great Save, for households with adjustable rate mortgages that have become unaffordable, carries the same rate, 5.20%.
- Great Advantage and Great Start provide 2 or 4% downpayment and closing cost grants at mortgage interest rates of 5.50% and 5.80%, respectively. Homebuyers who accept grants are required to attend homebuyer education with a certified trainer. Homebuyer education is suggested for all THDA homebuyers.
- Through the Stimulus Loan, THDA offers a 0% deferred interest loan to be used for downpayment and closing costs.

THDA provides 30-year fixed rate mortgage loans. The mortgage loans are originated through local lenders with eligible homebuyers. Program qualifications and a list of participating lenders are posted at www.thda.org.

The \$8,000 federal stimulus tax credit offered only to first-time homebuyers can be used with the THDA mortgages. The newest FHA Mortgagee Letter, 2009-15, confirms THDA's Stimulus Loan Program eligibility. For mortgage loans closed before or on November 30, 2009, THDA will make a 0% deferred interest loan for up to 3.5% of the purchase price to be used for the downpayment and closing costs. If the deferred interest loan is repaid by June 30, 2010, only the first mortgage remains. If the homebuyer chooses to not pay off the Stimulus Loan by June 30, 2010, the Stimulus Loan becomes an amortizing second mortgage loan at 1% over the first mortgage's interest rate. Credit review assesses the applicants' ability to pay both debts.

Homebuyer education is required for the Stimulus Loan.

THDA, as the state's housing finance agency, targets its mortgage assistance to first-time buyers. The first-time buyer rule is waived in federally-designated disaster areas for set periods

of time, and generally for “targeted” counties and specific census tracts facing chronic economic distress. Stimulus Loans are not eligible for the first-time homebuyer waiver.

To make the loans uncomplicated for lenders and borrowers, eligibility requirements shadow those disseminated by the entities that insure or guarantee the loans, FHA, (Federal Housing Administration), USDA/Rural Development, and Veterans Administration. The income limits are set at the highest allowable limits. The limits for a one- to two-person household are 100% of the area family median income and the limits for a three + person household are set at 115% of area median income. Eligibility and target designations are detailed by county at www.thda.org.

REALTORS® who have taken training in the THDA program are also listed on the website.

“THDA works to help prepared buyers secure an affordable mortgage to build stability for their families,” said Ted R. Fellman, executive director of THDA. “We invite potential homebuyers to take a homebuyers’ ed class early so they know what the process includes. Homeownership is an important commitment, and a worthwhile one.”

THDA is a political subdivision of the State of Tennessee. THDA is the state’s housing finance agency, responsible for selling tax exempt mortgage revenue bonds to offer affordable mortgage funds to homebuyers of low and moderate incomes through local lenders, and to administer various housing programs targeted to very low-, low- and moderate-income households.

THDA was established in 1973, making its first mortgage in 1974. It has provided affordable fixed rate mortgages to over 100,000 households without using state tax dollars. The total contribution of the THDA-related activities to Tennessee’s economy in 2008 is estimated at \$1.173 billion.

THDA issues between \$250 and \$300 million in mortgage revenue bonds annually for its first-time homebuyer program.

In the year 2006, THDA created the Tennessee Housing Trust Fund using state, THDA and locally-generated match to support programs for the very-low income, elderly and special needs populations.

More information about THDA is available on-line at www.thda.org.