



**Tennessee Housing  
Development Agency**

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*Leading Tennessee Home*

# **Preserve Loan Program Guide**

February 2009

# TABLE OF CONTENTS

## PART I INTRODUCTION

<b>SECTION 1: THDA</b>	<b><u>Page</u></b>
1.1 The Guide.....	1
1.2 Hours of Operation and Holiday Schedule .....	1
1.3 Single Family Programs Division Staff Directory .....	1
1.4 THDA Preserve Loan Program Description .....	3
1.5 Current Acquisition Cost and Income Limits for Middle Tennessee.....	4

## SECTION 2: PRESERVE LOAN PROGRAM PARTNERS

2.1 Eligibility Requirements .....	5
2.2 Administering the Preserve Loan Program .....	6

## PART II THDA PROGRAM AND CREDIT REQUIREMENTS

### SECTION 3: QUALIFYING AN APPLICANT TO PARTICIPATE IN THDA'S PRESERVE LOAN PROGRAM

3.1 Household Income Limits .....	8
Income Limits .....	8
Defining Household.....	8
Defining Household Income .....	8
Household Income Inclusions.....	8
Household Income Exclusions.....	9

### SECTION 4: OTHER PRESERVE LOAN PROGRAM REQUIREMENTS

4.1 Eligible applicants.....	11
4.2 Property Eligibility.....	11
Eligible Property .....	11
Appraisals .....	11
4.3 Eligible Loan Types and Terms .....	11
Types of Loans.....	11
Maximum Loan-To-Value Ratios.....	11
Maximum Loan Amount.....	12
Security .....	12
Loan Payment Terms .....	12
Prepayment Penalty .....	12
Late Charge.....	12
Assumptions.....	12
Origination Fees and Discount Points.....	12

**SECTION 5: PRESERVE LOAN PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS**

5.1 Overview ..... 13  
    Disclosures ..... 13  
    Credit requirements ..... 13  
    Age of Credit Documents ..... 13  
5.2 Verifications ..... 13  
    Employment Verifications ..... 13  
    Sole Proprietorship Verifications ..... 14  
    Partnership Verifications ..... 14  
    Limited Partnership Verifications ..... 14  
    Deposit Verifications ..... 14  
5.3 Debts, Obligations and Other Expenses ..... 14  
    Bankruptcy (Chapter 7 and Chapter 13) ..... 14  
    Previous Default ..... 14  
    Federal or State Tax Liens, Tax Arrearages ..... 14

**PART III PROCEDURES**

**SECTION 6: SUBMITTING A PRESERVE LOAN APPLICATION FILE TO THDA**

6.1 Overview ..... 15  
6.2 Required Documents ..... 15  
    Preserve Loan Underwriting Submission Checklist ..... 15  
    Preserve Loan Application Affidavit ..... 15  
    Transmittal Summary (Conventional FNMA/FHLMC Form 1008) ..... 15  
    Loan Application (Conventional FNMA/FHLMC Form 1003) ..... 15  
    Credit Report ..... 15  
    Credit Explanation Letters ..... 15  
    Final Divorce Decree/Marital Dissolution; Court Ordered Child Support; SSI or Other Assistance ..... 15  
    Verification of Employment; Most Recent Pay Stub; Form Evidencing Telephone Verification of Prior Employment; Self Employment ..... 15  
    Tax Returns ..... 16  
    Verification of Deposit or Most Recent Bank Statement ..... 16  
    Appraisal ..... 16  
    Original Photos of Subject Property and Comparable Sales or Legible Copies ..... 16  
    Escrow Agreement ..... 16  
    Warranty Deed ..... 16  
    Initial Inspection Report/Accepted Bid ..... 16  
    First Mortgage Servicer Documentation ..... 16  
6.3 THDA Underwriting Decisions ..... 16  
6.4 Commitments ..... 16  
    Application Approval ..... 16  
    Commitment Term ..... 16  
    Commitment Conditions ..... 16  
    Satisfying THDA Commitment Conditions ..... 17  
    Update of Application or Commitment ..... 17  
    Commitment Delivery ..... 17  
    Void Commitments ..... 17  
6.5 Funding Preserve Loans ..... 18

**SECTION 7: CLOSING A PRESERVE LOAN**

7.1 Settlement Agent..... 19

7.2 Loan Commitment ..... 19

7.3 Required Loan Documents..... 19

    Loan Documents ..... 19

    Due Dates..... 19

    Late Charges ..... 19

7.4 Other Required Documentation ..... 19

    Title Insurance Policy ..... 19

    Hazard Insurance ..... 20

    HUD-1 ..... 20

    Final Inspection..... 20

    Commitment Conditions ..... 20

7.5 Other Requirements ..... 20

    Close In The Name Of ..... 20

    Net Funds “To Borrower” ..... 20

7.6 Closing Costs ..... 20

    Closing Costs and Fees a THDA Borrower May Pay..... 20

**SECTION 8: SHIPPING A CLOSED PRESERVE LOAN**

8.1 Overview..... 21

    Preserve Loan Partners Obligations..... 21

    Document Caption ..... 21

    Shipping Address ..... 21

8.2 Delivery Deadlines..... 21

8.3 Failure to Meet Delivery Deadlines ..... 22

8.4 Required Documents for a Complete Closed Loan File..... 22

    Preserve Closed Loan Submission Checklist..... 22

    Original Note ..... 22

    Deed of Trust ..... 22

    Assignment ..... 22

    Title Insurance Policy/Endorsements..... 22

    HUD-1 ..... 23

    Hazard Insurance ..... 23

    Final Inspection..... 23

    Commitment Conditions ..... 23

8.5 Loan Repurchase..... 23

    Repurchase Obligation..... 23

    Repurchase Price..... 23

    Repurchase Procedure..... 23

8.6 Additional Information..... 24

**SECTION 9: SERVICING PRESERVE LOANS**

9.1 Servicer ..... 24

**PART IV ADDITIONAL INFORMATION**

**SECTION 10: PRESERVE LOAN FORMS AND INSTRUCTIONS**

10.1 Overview ..... 25

10.2 Preserve Loan Forms and Instructions ..... 25

    Preserve Loan Application Affidavit (HO-0510 02/09)..... 25

    Preserve Loan Underwriting Submission Checklist (HO-0511 03/09) .....25

    Preserve Closed Loan Submission Checklist (HO-0512 02/09).....26

    Preserve Loan Check Request Memorandum (HO-0513 02/09)..... 26

10.3 Use of Forms ..... 26

## **SECTION 1: THDA**

### **1.1 THE GUIDE**

This Preserve Loan Program Guide, together with all subsequent revisions, modifications or updates (the “Program Guide”) provided by the Tennessee Housing Development Agency (“THDA”), contains information about THDA’s Preserve Loan Program and specific requirements for the loans submitted, closed and delivered to THDA under the Preserve Loan Program (“Preserve Loans”).

THDA may revise, modify or update this Program Guide from time to time and will notify Preserve Loan Partners of such changes. THDA may provide notice of changes by posting such changes to its web site at [www.thda.org](http://www.thda.org). Other notices required under this Program Guide shall be provided in accordance with Section 17 of the Preserve Loan Program Agreement by and between THDA and a Preserve Loan 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 Preserve Loans by Preserve Loan Partner. All correspondence should be directed to:

Singe Family Programs Division  
Tennessee Housing Development Agency  
404 James Robertson Parkway, Suite 1200  
Nashville, Tennessee 37243-0900

General Information ..... 615-815-2100  
Toll-Free Voice Mail..... 1-800-228-8432  
Fax (24 hours a day, 7 days a week) ..... 615-741-2338

<u>Staff</u>	<u>Telephone</u>	<u>Email Address</u>
Laura B. Sinclair, Sr. Director of Single Family Programs (“SFP”)	615-815-2077	lsinclair@thda.org
Sharon Pommer, Assistant Director of SFP	615-815-2078	spommer@thda.org
Bonnie Fowler, Closing Coordinator	615-815-2081	bfowler@thda.org
Chuck Pickering, Closing Coordinator	615-815-2086	cpickering@thda.org
Cheri Baber, Closer	615-815-2092	cbaber@thda.org
Gail Hignutt, Mortgage Loan Specialist	615-815-2095	ghignutt@thda.org
Martha Moore, Closer	615-815-2093	mmoore@thda.org
Caroline Rhodes, Mortgage Servicing Specialist	615-815-2098	crhodes@thda.org
Ginny Boles, Mortgage Servicing Specialist	615-815-2097	gboles@thda.org
Debbie Couch, Mortgage Servicing Specialist	615-815-2096	dcouch@thda.org
Rhonda Ellis, Mortgage Loan Specialist	615-815-2103	rellis@thda.org
Ed Lozier, Single Family Production Coordinator	615-815-2082	elozier@thda.org
Marvene Carey, Manager, Underwriting	615-815-2079	mcarey@thda.org
Sharon Campbell, Underwriter	615-815-2088	scampbell@thda.org
Pam Norris, Underwriter	615-532-2087	pnorris@thda.org
Rhonda Ronnow, Underwriter	615-815-2111	rronnow@thda.org
Lynne Walls, Underwriter	615-815-2089	lwalls@thda.org
Tammy Walker, Underwriter	615-815-2091	twalker@thda.org
Steven Lamb, SFP Administrator	615-815-2083	slamb@thda.org
John Hubbard, Business Systems Analyst	615-815-2084	jhubard@thda.org
Vicki George, Homebuyer Education Coordinator	615-815-2085	vgeorge@thda.org
Bill ClenDening, Homebuyer Education Specialist	615-815-2099	bclending@thda.org
Debbie Reeves, Director of Business Development	615-815-2152	dreeves@thda.org

#### **1.4. THDA PRESERVE LOAN PROGRAM DESCRIPTION**

THDA is expanding eligible activities under the Housing Trust Fund (“HTF”). Preserve Loans are available to eligible low and moderate income homeowners for eligible rehabilitation and home improvement activities. Preserve Loans will be originated by approved Preserve loan partners and serviced by THDA.

##### **Preserve Loan Program**

<b>Maximum Household Income</b>	Varies by county and cannot exceed the household income limits for the THDA Homeownership Choices Program
<b>Maximum Appraised Value</b>	Appraised value of the property prior to closing shall not exceed the acquisition cost limits for the THDA Homeownership Choices Program
<b>Loan Limits</b>	Maximum loan amount not to exceed \$30,000
<b>Interest Rate</b>	4.0% fixed rate
<b>Loan Term</b>	Not to exceed 10 years
<b>Loan Type</b>	Conventional
<b>Primary Residence</b>	Must be a one unit single family residence occupied by the Borrower/Co-Borrower as their primary residence
<b>Pre-Payment Penalty</b>	No penalty
<b>Subject to Recapture</b>	No

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## 1.5 Current Acquisition Cost and Income Limits for Eligible Counties

Counties	Acquisition Cost Limits	Household Income Limits		Counties	Acquisition Cost Limits	Household Income Limits	
		1-2 Persons	3+ Persons			1-2 Persons	3+ Persons
Bedford	\$200,160	\$54,500	\$62,675	Marshall	\$200,160	\$56,200	\$64,630
Cannon	\$226,100	\$64,900	\$74,635	Mauzy	\$200,160	\$61,600	\$70,840
Cheatham	\$226,100	\$64,900	\$74,635	Montgomery	\$200,160	\$54,500	\$62,675
Clay	\$200,160	\$54,500	\$62,675	Moore	\$200,160	\$54,500	\$62,675
Coffee	\$200,160	\$54,500	\$62,675	Overton	\$200,160	\$54,500	\$62,675
Cumberland	\$200,160	\$54,500	\$62,675	Perry	\$200,160	\$54,500	\$62,675
Davidson	\$226,100	\$64,900	\$74,635	Pickett	\$200,160	\$54,500	\$62,675
DeKalb	\$200,160	\$54,500	\$62,675	Putnam	\$200,160	\$54,500	\$62,675
Dickson	\$226,100	\$64,900	\$74,635	Robertson	\$226,100	\$64,900	\$74,635
Fentress	\$200,160	\$54,500	\$62,675	Rutherford	\$226,100	\$64,900	\$74,635
Franklin	\$200,160	\$54,500	\$62,675	Sequatchie	\$200,160	\$56,100	\$64,515
Giles	\$200,160	\$54,500	\$62,675	Smith	\$226,100	\$54,500	\$62,675
Grundy	\$200,160	\$54,500	\$62,675	Stewart	\$200,160	\$54,500	\$62,675
Hickman	\$226,100	\$54,500	\$62,675	Sumner	\$226,100	\$64,900	\$74,635
Houston	\$200,160	\$54,500	\$62,675	Trousdale	\$226,100	\$64,900	\$74,635
Humphreys	\$200,160	\$54,500	\$62,675	Van Buren	\$200,160	\$54,500	\$62,675
Jackson	\$200,160	\$54,500	\$62,675	Warren	\$200,160	\$54,500	\$62,675
Lawrence	\$200,160	\$54,500	\$62,675	Wayne	\$200,160	\$54,500	\$62,675
Lewis	\$200,160	\$54,500	\$62,675	White	\$200,160	\$54,500	\$62,675
Lincoln	\$200,160	\$54,500	\$62,675	Williamson	\$226,100	\$64,900	\$74,635
Macon	\$226,100	\$54,500	\$62,675	Wilson	\$226,100	\$64,900	\$74,635
Madison	\$200,160	\$54,500	\$62,675				

## **SECTION 2: PRESERVE LOAN PROGRAM DESCRIPTION**

### **2.1 ELIGIBILITY REQUIREMENTS**

#### **A. ELIGIBLE PRESERVE LOAN PARTNER**

To be eligible, an organization must meet the following requirements:

1. be one of the following:
  - (a) Tennessee city;
  - (b) Tennessee county;
  - (c) Tennessee development district;
  - (d) Tennessee public housing authority
  - (e) department of Tennessee state government
  - (f) non-profit entity organized and existing under the laws of the state of Tennessee with federal 501(c)3 or 501(c)4 designation.
2. have sufficient experience, as determined by THDA in its sole discretion, in mortgage lending, loan rehabilitation or home improvement expertise or oversight;
3. be in good standing with all THDA programs (organization and consultant, if any);
4. have sufficient financial capacity and resources, as determined by THDA in its sole discretion.

All materials submitted to THDA by a Preserve Loan Partner 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 an organization qualifies to become or remain a Preserve Loan Partner. Organizations who THDA determines, in its sole discretion, to be qualified and eligible, initially and on a continuing basis, are referred to as "Preserve Loan Partners".

Organizations who are approved by THDA to act as Preserve Loan Partners hereunder shall annually submit acceptable documentation, as determined by THDA in its sole discretion, to remain a Preserve Loan Partner. THDA will not fund any Preserve Program Loans from an organization whose status as a Preserve Loan Partner is not current.

#### **B. PROGRAM OVERVIEW**

1. Preserve Loan Partners shall originate, process, underwrite, and close Preserve Loans strictly in accordance with the requirements in this Program Guide. Preserve Loans shall be originated, processed and closed only for eligible low and moderate income homeowners making improvements or rehabilitation to their primary residence, which shall be located in the following counties:

Bedford, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Fentress, Franklin, Giles, Grundy, Hickman, Houston, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Madison, Marshall, Maury, Montgomery, Moore, Overton, Perry, Pickett, Putnam, Robertson, Rutherford, Sequatchie, Smith, Stewart, Sumner, Trousdale, Van Buren, Warren, Wayne, White, Williamson, and Wilson.

2. Preserve Loans may be made for the following purposes:
  - (a) Repair basic deficiencies in the foundation, roof, electrical system, heating/cooling system or plumbing system of the primary residence.
  - (b) General property improvements that will preserve, improve or modernize the primary residence, including without limitation, kitchen, bathroom, interior and exterior.
  - (c) Testing for and remediation of Lead Based Paint Hazards in primary residences built before 1978 (a high priority for dwellings with children).
  - (d) Improvements to make the primary residence more convenient and accessible for the eligible physically handicapped homeowner.
  - (e) Improvements to the land or primary residence to conform to environmental requirements.
  - (f) Improvements to reduce energy use and encourage energy conservation.
  - (g) Other improvements as THDA may approve in its sole discretion (collectively, these purposes are referred to as “eligible activities”).

## **B. PROHIBITED ACTIVITIES**

A Preserve Loan may not be used to satisfy existing debt of the eligible homeowner. A Preserve Loan may not result in cash to the eligible homeowner. Luxury amenities such as swimming pools, tennis courts, hot tubs/Jacuzzis, etc. are not eligible.

## **C. COMPLIANCE WITH APPLICABLE LAWS**

Each Preserve Loan Partner shall comply with all applicable local, state and federal laws, including, without limitation, with regard to fair housing and equal opportunity.

## **2.2 ADMINISTERING THE PRESERVE LOAN PROGRAM**

### **A. PROGRAM REQUIREMENTS**

1. The Preserve Loan Partner is encouraged to:
  - (a) Include provisions for supportive services to the eligible homeowner.
  - (b) Include minority and women owned business enterprises as contractors.
  - (c) Include elderly homeowners.

2. In addition to originating, processing, underwriting and closing each Preserve Loan in accordance with all requirements of this Program Guide, the Preserve Loan Partner shall coordinate the disbursements of the proceeds from the Preserve Loan with the borrower utilizing a draw system. The Preserve Loan proceeds shall be escrowed with a closing attorney or a title company and shall be disbursed in accordance with an escrow agreement between the eligible homeowner, the Preserve Loan Partner, and the escrow agent.
3. The Preserve Loan Partner and the eligible homeowner shall obtain at least two bids for the proposed eligible activities which must specify a fixed dollar amount for the eligible activities.
4. The Preserve Loan Partner shall inspect the primary residence upon completion to insure that only eligible activities have been performed in accordance with the requirements of this Program Guide. Either THDA or the Preserve Loan Partner may require additional inspections.
5. The Preserve Loan Partner may collect normal and customary closing cost fees and reasonable inspection fees in connection with originating, processing, underwriting, closing and coordinating the draws of all Preserve Loans. Any and all such fees may be included in the loan amount.
6. The work must be performed by a licensed, insured general contractor pursuant to a fixed price contract between the contractor and the eligible homeowner. All eligible activities must be performed in accordance with applicable local building codes, rehabilitation standards, ordinances, zoning requirements and building permits.
7. Upon completion of construction, the Preserve Loan Partner shall ensure that the contractor executes a release of lien or records a notice of completion in accordance with T.C.A. Section 66-11-143.

## **SECTION 3: QUALIFYING AN APPLICANT TO PARTICIPATE IN THDA'S PRESERVE LOAN PROGRAM**

Preserve Loan Partner shall determine applicant eligibility for each Preserve Loan in accordance with this section.

### **3.1 HOUSEHOLD INCOME LIMITS**

#### **A. Income Limits**

The maximum household income shall not exceed the maximum household income limits for the THDA Homeownership Choices Program as shown on the chart in Section 1.5 above.

#### **B. Defining Household**

##### **1. Household Includes**

A household, for purposes of determining Household Income for a Preserve Loan, includes all persons 18 years of age or older who intend to live in the primary residence for which the Preserve Loan is proposed (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 Preserve 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 has 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 1.5. Household Income is the total annual gross income, earned and unearned, from all sources, before taxes or other deductions, received by all household members as defined in Section 3.1B above, less only items noted in "Exclusions From Household Income" below.

#### **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 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 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. Annual net income from rental (net rental income is calculated at 75% of gross rent);
15. 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 do not 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. Temporary, sporadic or nonrecurring income, including gifts;
12. The value of Food Stamps;
13. 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.

## **SECTION 4: OTHER PRESERVE LOAN 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 the Preserve Loan Partner in conformance with THDA requirements included in Section 5;
3. Be a resident of the State of Tennessee and occupy the Property as their primary residence.

### **4.2 PROPERTY ELIGIBILITY**

#### **A. Eligible Property**

To be eligible, an applicant's primary residence must meet all of the following requirements:

1. The applicant's primary residence must be one of the following:
  - (a) Existing single family home; or
  - (b) 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. The borrower(s) must have title to the land and both the manufactured home and the land on which it is located must be titled and assessed as real property.
2. The appraised value or tax assessor's value of the primary residence prior to the contemplated improvements shall not exceed the Acquisition Cost Limit for the county in which the primary residence is located as shown in Section 1.5.

#### **B. Appraisals**

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 or a current copy of the local Tax Assessor's value of the property.

### **4.3 ELIGIBLE LOAN TYPES AND TERMS**

#### **A. Types Of Loans**

Each Preserve Loan must be a conventional loan.

#### **B. Maximum Loan-To-Value Ratios**

The maximum combined loan-to-value (CLTV) may not exceed 100%.

**C. Maximum Loan Amount**

The maximum Preserve Loan amount may not exceed \$30,000.

**D. Security**

All Preserve Loans must be secured by a first, second or third lien on the Property. If the Preserve Loan is a third lien, the second lien must be a down payment assistance loan provided by a nonprofit, city or county municipality, or the Federal Home Loan Bank.

**E. Loan Payment Terms**

The maximum loan term shall not exceed 10 years.

**F. Prepayment Penalty**

Prepayment penalties are not permitted on Preserve Loans.

**G. Late Charge**

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

**H. Assumptions**

Preserve Loans are not assumable and are due on sale.

**I. Origination Fees and Discount Points**

A 1% origination fee may be charged on the Preserve Loan amount. Discount points are not permitted.

## **SECTION 5: PRESERVE LOAN PROCESSING AND CREDIT UNDERWRITING REQUIREMENTS**

### **5.1 OVERVIEW**

#### **A. Disclosures**

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

#### **B. Credit Requirements**

The following credit underwriting guidelines shall apply to Preserve Loans, in addition to standard underwriting guidelines:

1. Borrower and occupying Co-Borrower, if applicable, must each have a Social Security Number, be able to document a satisfactory two (2) year history of credit, income and assets;
2. The occupying Co-Borrower, if applicable, must be qualified the same as the primary borrower;
3. Occupying Co-Borrower, if applicable, must also have title to the primary residence and sign the Note and Deed of Trust;
4. Borrower and Co-Borrower, if applicable, must each have a minimum middle credit score of 620; however, THDA reserves the right to use its discretion concerning credit scores;
5. Debt-to-income ratio must not exceed 45%;
6. Any existing liens on the property must be current;
7. CLTV must not exceed 100%;
8. THDA reserves the right to credit underwrite the Preserve Loan and issue a denial based on unacceptable credit issues.

#### **C. 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.

### **5.2 VERIFICATIONS**

#### **A. Employment Verifications**

Full documentation is required for THDA. All current full-time and part-time employment or self-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 borrower's most recent pay stub is required. This income verification and documentation is also required for an occupying Co-Borrower and any other person, 18 years of age or older, who intends to live in the Property.

**B. Sole-Proprietorship Verifications**

Year-to-date P&L, plus 1040's with Schedule C for a minimum of two tax years, and 24 months in business.

**C. Partnership Verifications**

Year-to-date P&L, plus 1065's with Schedule K-1 and Schedule E, part II; Partnership returns with all schedules. Minimum two tax returns and 24 months in business.

**D. Limited Partnership Verifications**

1065, Schedule K-1 and Schedule E, part II; Partnership Return with schedules. Minimum two tax returns and 24 months in business.

**E. Deposit Verifications**

Borrower's most recent bank statement may be submitted.

**5.3 DEBTS, OBLIGATIONS AND OTHER EXPENSES**

**A. Bankruptcy (Chapter 7 and Chapter 13)**

Borrower's and occupying Co-Borrower's, if applicable, Chapter 7 bankruptcy must be discharged for a minimum of two years and acceptable credit must be re-established to be eligible for a Preserve Loan.

Borrower's and occupying Co-Borrower's, if applicable, 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.

Borrowers currently in bankruptcy are not eligible for the Preserve Loan program.

**B. Previous Default**

Borrowers with prior foreclosures or deeds-in-lieu are not eligible for a Preserve Loan for a period of four years from the date of the foreclosure sale. Borrowers with a prior foreclosure or deeds-in-lieu on a THDA loan are not eligible.

**C. Federal or State Tax Liens, Tax Arrearages**

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

## **SECTION 6: SUBMITTING A PRESERVE LOAN APPLICATION FILE TO THDA**

### **6.1 OVERVIEW**

Preserve Loan 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 Preserve Loan. 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, Preserve Loan Partner shall immediately notify THDA and shall submit updated loan documentation.

### **6.2 REQUIRED DOCUMENTS**

**A. Preserve Loan Underwriting Submission Checklist (HO Form HO-0511 03/09)**

Include this form with each application file submitted to THDA for underwriting. See Section 10.

**B. Preserve Loan Application Affidavit (HO Form HO-0510 02/09)**

The original executed and notarized Preserve Loan Application Affidavit must be received as part of the loan submission package. The Preserve Loan Application Affidavit must be signed by each loan applicant. Married applicants must both sign the Preserve Loan Application Affidavit, even if a non-qualifying spouse is involved. See Section 10 for instructions.

**C. Transmittal Summary (Conventional FNMA/FHLMC Form 1008)**

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

**D. Loan Application (Conventional FNMA/FHLMC Form 1003)**

Include original 1003 signed and dated by the Borrower(s) and the Preserve Loan Partner.

**E. Credit Report**

The original credit report must be included in the application file.

**F. Credit Explanation Letters**

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

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

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

**H. Verification of Employment; Most Recent Pay Stub; Form Evidencing Telephone Verification of Prior Employment; Self-Employment**

See Section 5.2.

**I. Tax Returns**

Copies of signed and dated Federal Income Tax Returns, including W-2s, for the most recent tax year for the Borrower(s) and/or any non-qualifying spouse and any household member 18 years or older who is required to file a Federal Income Tax Return.

**J. Verification of Deposit or Most Recent Bank Statement**

**K. Appraisal**

Enclose an original Uniform Residential Appraisal Report (FMNA 1004) or a current copy of the local Tax Assessor's value of the property in the application file. The Uniform Residential Appraisal Report must reflect inspections of both the interior and exterior of the dwelling.

**L. Original Photos of Subject Property and Comparable Sales or Legible Copies if Appraisal is Submitted**

**M. Escrow Agreement (HO-0514 02/09)**

Enclose a copy of the fully executed Escrow Agreement covering completion of the eligibility.

**N. Warranty Deed**

Enclose a copy of the Borrower/Co-Borrower's Warranty Deed for the primary residence.

**O. Initial Inspection Report/Accepted Bid**

Enclose a copy of the initial inspection report and the bid accepted by the eligible homeowner.

**P. First Mortgage Servicer Documentation**

If the Preserve Loan borrower(s) have a first mortgage on the property, the servicer's name, address, and borrower's loan number must be provided to THDA in the Underwriting Submission package.

**6.3 THDA UNDERWRITING DECISIONS**

THDA Underwriters review each application file (original, update or re-submission) and may:

1. Approve the application file without conditions, with prior to closing conditions or with conditions that must be satisfied when the Preserve Loan is closed; or
2. Request additional documentation from the Preserve Loan Partner as determined by THDA in its sole discretion.

**6.4 COMMITMENTS**

**A. Application Approval**

An application file is not approved until a written Commitment is issued by THDA.

**B. Commitment Term**

Preserve Loan Commitments are normally issued for a period of three months.

**C. Commitment Conditions**

Commitments may be conditioned by THDA as follows:

1. Commitments may be issued with prior to closing conditions that must be satisfied before the Preserve 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 Preserve Loan closing. Submit all documents needed to clear all prior to closing conditions for each application file simultaneously.

Documents submitted to satisfy prior to closing conditions must include the name of the Preserve Loan Partner, the THDA Underwriter to whom they are being submitted, the name of the applicant and the Preserve Loan number.

2. All Closing Conditions (indicated on the Commitment as “Receipt, With Closing Documents”) must be satisfied by the time the Preserve Loan is closed. Documentation acceptable to THDA to satisfy Closing Conditions must be included with the closed loan file when shipped to THDA.

THDA, in its sole discretion, may require the Preserve Loan Partner to repurchase any Preserve 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 borrower’s household composition, income or credit, Preserve Loan Partner must submit updated documentation to THDA for review and approval.
2. 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.

**G. Commitment Delivery**

THDA will fax the commitment to the Preserve Loan Partner. The Preserve Loan Partner must provide THDA with their fax and phone number on the Preserve Loan Underwriting Submission Checklist.

**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 Preserve 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. The Property described in the closing documents differs from the Property indicated in the Commitment and/or on original URAR;

4. The loan closes in an amount larger than the amount indicated on the Commitment;
5. The interest rate or loan term differs from the Commitment;
6. The monthly principal and interest payment in the promissory note is less than the principal and interest payment indicated on the Commitment;
7. 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);
8. The loan closes prior to the date of Commitment;
9. The loan closes after the Commitment expiration date without Commitment extension by THDA;
10. The closed loan does not otherwise conform to the Commitment or this Program Guide.

### **6.5 FUNDING PRESERVE LOANS**

Preserve Loans are funded by the pre-funded method (“table funding”). THDA issues a funding check after all Prior-to-Funding conditions have been cleared by THDA. Funding checks are made payable to all borrowers and the Preserve Loan Partner. Include an original, completed Check Request Memorandum (HO-0513 02/09) when the application file is submitted to THDA.

## **SECTION 7: CLOSING A PRESERVE LOAN**

### **7.1 SETTLEMENT AGENT**

All Preserve Loans must be closed in compliance with the Commitment and this Program Guide by a Settlement Agent who is an independent, third-party attorney or a title company.

### **7.2 LOAN COMMITMENT**

The terms of a closed Preserve Loan must match the Commitment and all Commitment conditions must be satisfied. THDA will not fund any closed Preserve Loan determined by THDA to be ineligible due to the terms of the closing, closing documentation or failure to 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)

#### **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 borrower(s).

### **7.4 OTHER REQUIRED DOCUMENTATION**

#### **A. 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 Preserve Loan mortgage.
2. THDA must be a “named insured”. Use the following language:  
Tennessee Housing Development Agency
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.

## **B. Hazard Insurance**

Preserve Loan Partner must submit a copy of a hazard insurance policy covering the Property issued in the name of the eligible homeowner by an insurance company licensed to do business in the State of Tennessee with 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 copy of the hazard insurance policy must be submitted with the closed loan package. If the Preserve Loan amount is equal to or greater than \$15,000, THDA must be named as a second lien holder in the mortgage clause.

## **C. HUD-1**

Show fees paid to third-party providers of services and include the name of the third-party to whom the fee has been or will be paid.

## **D. Final Inspection**

A final inspection report must be produced following completion of construction to demonstrate that the work performed included only eligible items and was performed in a customary and reasonable manner that meets all applicable laws, codes and ordinances.

## **I. Commitment Conditions**

Additional documents must be produced as needed to satisfy "at closing conditions" specified in the Commitment.

## **7.5 OTHER REQUIREMENTS**

### **A. Close In The Name Of**

All Preserve Loans must be closed in the name of the Preserve Loan Partner noted on the Commitment and must be assigned to THDA.

### **B. Net Funds "To Borrower"**

The Borrower(s) cannot receive any funds from the closing that exceed amounts that they paid in advance from their personal funds for appraisal fees and credit report fees.

## **7.6 CLOSING COSTS**

### **Closing Costs and Fees a THDA Borrower May Pay**

1. The Borrower 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 borrower has been charged a fee that is excessive or not customarily charged in the market place, the Preserve Loan Partner shall refund these fees to the borrower.
2. Discount Points are not allowed.
3. Reasonable Escrow Maintenance Fees.
4. Origination Fee of one percent (1%) of the preserve Loan amount.

## SECTION 8: SHIPPING A CLOSED PRESERVE LOAN

### **8.1 OVERVIEW**

#### **A. Preserve Loan Partner Obligations**

Preserve Loan Partner must conform to strict timetables when shipping a closed loan file to THDA. The THDA Preserve 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, Preserve Loan Partner must:

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

#### **B. Document Caption**

Documents or files delivered to THDA must be clearly identified with the Preserve Loan Partner's name, the primary Borrower's name, the Preserve Loan number, and the name and telephone number of the Preserve Loan Partner's contact person. When shipping follow-up documents after the initial closed loan file has been delivered, Preserve Loan Partners must properly identify all documents being delivered.

#### **C. Shipping Address**

When delivering closed loan files and follow-up documents, specify "Single Family Programs Division, Closing Department".

### **8.2 DELIVERY DEADLINES**

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

1. 24 Hour Deadline

Fax a copy of all executed Notes to "Single Family Programs Division, Attention: Closing Department" at (615) 741-2338 within 24 hours of closing. This facsimile machine will receive transmissions 24 hours a day, seven days a week.

2. 10 Day Deadline

THDA must receive the initial closed loan package, the original Note, and all other required initial submission documentation within ten (10) calendar days following closing.

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.

THDA may grant one extension, for a period not to exceed thirty (30) calendar days, to the delivery deadline for cause, in THDA's sole discretion. THDA may consider additional extensions, in THDA's sole discretion. Any additional extensions must be approved by THDA, in THDA's sole discretion.

Preserve Loan Partner will receive notification of correction(s) to be made and Preserve Loan 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 151<sup>st</sup> day following closing. THDA's demand will include repurchase instructions and the repurchase deadline.

Preserve Loan Partners who consistently fail to meet delivery deadlines may be suspended from originating Preserve Loans, at THDA's sole discretion, until all delinquent loan files are completed.

### **8.4 REQUIRED DOCUMENTS FOR A COMPLETE CLOSED LOAN FILE**

#### **A. Preserve Closed Loan Submission Checklist**

A completed THDA Preserve 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. Original Note**

Deliver the original Note to THDA within 10 days after loan closing. Include the original Note with the closed loan package if THDA will receive the entire closed loan package on or before the 10 Day Deadline.

#### **C. Deed of Trust**

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

THDA must receive the original recorded Deed of Trust and Rider(s), if applicable, on or before the 120 Day Deadline. Borrower's signature and typed name on the Deed of Trust and Title Insurance Policy must match exactly or a name affidavit must be enclosed. The legal description, book, page, time of recording and other critical data must match the Title Insurance Policy.

#### **D. Assignment**

Enclose the original, fully executed and recorded Assignment from the Preserve Loan Partner to THDA.

#### **E. Title Insurance Policy/Endorsements**

Enclose the original Title Insurance Policy and all required endorsements. The original Title Insurance Policy must be received by THDA on or before the 120 Day Deadline.

**F. HUD-1**

Enclose all pages of the original HUD-1 and attachments, signed by all parties to the transaction.

**G. Hazard Insurance**

Enclose a copy of a hazard insurance policy or a copy of the Certificate of Insurance, signed by the authorized agent of the insurance company.

**H. Final Inspection**

Enclose a copy of the final inspection report reflecting the inspection following completion of all construction.

**I. 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 require a Preserve Loan Partner to repurchase any Preserve Loan when any of the following exist:

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

A Preserve Loan Partner who fails to repurchase Preserve 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 Preserve Loan is the sum of the outstanding balance and interest.

**C. Repurchase Procedure**

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

1. THDA will provide instructions for obtaining the repurchase price from THDA and specify a deadline.
2. The Preserve Loan Partner must prepare an Assignment from THDA to the Preserve Loan Partner and submit it to THDA for execution.

3. The Preserve Loan Partner must wire the required repurchase price to THDA 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 Preserve Loan Partner with the loan file.

## **8.6 ADDITIONAL INFORMATION**

Each closed loan file is audited as received and a report is produced identifying missing documents and required corrections. THDA will send individual loan reports to the Preserve Loan Partner's designated contact person and will indicate the final document delivery deadline for each loan. Preserve Loan Partner must promptly supply missing documents and make required corrections. Failure to do so may result in a demand for loan repurchase.

## **SECTION 9: SERVICING PRESERVE LOANS**

### **9.1 SERVICER**

THDA will service the Preserve Loans originated, processed, underwritten, and closed by the Preserve Loan Partners.

## SECTION 10: PRESERVE LOAN FORMS AND INSTRUCTIONS

### **10.1 OVERVIEW**

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 Preserve Loan 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:

Preserve Loan Application Affidavit HO-0510 (02/09)

Preserve Loan Underwriting Submission Checklist HO-0511 (03/09)

Preserve Closed Loan Submission Checklist HO-0512 (02/09)

Preserve Loan Check Request Memorandum HO-01523 (02/09)

### **10.2 PRESERVE LOAN FORMS AND INSTRUCTIONS**

#### **A. Preserve Loan Application Affidavit HO-0510 (02/09)**

The Preserve Loan Application Affidavit 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 appraised value figure to be provided in item #4 is the maximum THDA acquisition cost for the county in which the property is located. The original Preserve Loan Application Affidavit is required by THDA. All changes or whiteouts must be initialed by the borrower(s).

Each Preserve Loan Application Affidavit must be executed and notarized within the State of Tennessee; however, in rare circumstances, a Preserve Loan Application Affidavit 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. Preserve Loan Underwriting Submission Checklist HO-0511 (03/09)**

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

Follow the checklist closely and complete all information.

Preserve Loan Partner Information: Provide complete information, including the Preserve Loan 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.

**C. Preserve Closed Loan Submission Checklist HO-0512 (02/09)**

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.

**D. Preserve Loan Check Request Memorandum HO-0513 (02/09)**

Enclose an executed Check Request Memorandum with all Preserve Loan application files.

**10.3 USE OF FORMS**

The THDA forms that follow this page, and as may be subsequently revised by THDA, are incorporated as part of this Program Guide. These forms are also available electronically at [www.thda.org](http://www.thda.org). Alteration of these forms in any way is not permitted.