



“Conventional Loan” Policies for FHA Approved Lenders Wishing To Use THF Assistance

The Housing Fund (THF) wants to assure that all households that use THF downpayment assistance are positioned to become successful homeowners. As part of that stewardship, The Housing Fund maintains policies that protect our downpayment assistance programs and our clients; and that support those clients’ long-term success as homebuyers.

The following are THF’s policies regarding conforming conventional first mortgages. Please note that this list is not exhaustive, other policies may be established as necessary.

1. Any first loan with closing costs that exceed 4% of the loan amount, excluding PMI, prepaids and title insurance, must be reviewed and approved on an exception basis. It is anticipated that few, if any, exceptions to this will be allowed. Extra time will be required for this review. Origination and Discount points cannot exceed 2% when combined.
2. Any loan with an interest rate (including adjustable rates) that is more than 1% above FHA rates on the day of approval must be reviewed and approved on an exception basis. It is anticipated that few, if any, exceptions to this will be allowed. Extra time will be required for this review.
3. Adjustable rate mortgages must have a ceiling and floor and must be tied to an established index published in the Wall Street Journal.
4. No loan will be approved that includes a prepayment penalty.
5. No loan will be approved that includes a balloon payment.
6. No loan will be approved that requires credit life or disability insurance.
7. No loan will be approved that has late fees over 5%.
8. Insurance and taxes must be escrowed by the first mortgage holder.
9. No loan will be approved with a yield spread premium that exceeds 2%.
10. Any relationship or identity of interest among or between closing attorney, Realtor and/or loan originator must be disclosed to THF for review and approval.
11. All Truth in Lending Disclosure forms must be filled out completely and correctly.
12. Use of downpayment or closing cost assistance programs not administered by THF must be approved by THF. Allow at least 5 working days for this review.

We appreciate the important role that you play in helping borrowers become successful homeowners. If you have any questions regarding these policies, please contact us at 615.780.7000.