

HOME Loan Tool and Repayable Mortgage Loan Underwriting Guidebook

This guidebook provides direction to HOME Program Administrators on completion of the Loan Tool workbook. Successful completion of the workbook will verify that the homebuyer to be assisted with HANC is eligible for the loan associated with the project as it is proposed. The tool must be completed prior to submission of the project.

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Part 1. Credit History Review

1. The Administrator must ensure that a potential borrower of repayable funds meets the requirements to obtain a loan from TDHCA. The first step in this process is to review the credit history of the Borrower to determine if the household is eligible for a loan. Borrowers must demonstrate an acceptable credit history in accordance with the Single Family Umbrella Rules at 10 TAC §20.12(c)(2)(A). For credit underwriting purposes, all debts and obligations of the primary potential Borrower(s) and the "non-purchasing" spouse will be considered in the potential Borrower's total Debt-to-Income Ratio.
2. Obtain Credit Report
 - a. Borrower and co-borrowers/non-purchasing spouses execute a **credit release form**
 - b. Administrator obtains a credit report
 - i. Less than 90 days old
3. Review for Unacceptable Credit
 - a. Open consumer, retail, and/or installment account which has been delinquent for more than 30 days, 2 or more times, within the last 12 months
 - b. Open consumer, retail, and/or installment accounts have not been current for 6 months preceding the loan application date
 - c. Foreclosure within 24 months of loan application date
 - d. Deed-in-lieu of foreclosure within 24 months of loan application date
 - e. Short-sale of property due to borrower default within 24 months of loan application date
 - f. IRS tax lien with no repayment arrangement or where the payments have not been current for at least 12 months prior to date of loan application
 - g. Other tax lien with no repayment arrangement or where payments have not been current for at least 12 months prior to the date of loan application
 - h. A court ordered obligation or judgement caused by nonpayment
 - i. Any account placed in collection, profit and loss, or charged off within 24 months of loan application
 - i. Excludes medical debt
 - j. Any delinquency on any government debt as of the date of the loan application
 - k. A bankruptcy filed within 24 months of the loan application
 - l. Child support payment in arrears without a satisfactory payment arrangement or where payments have not been made as agreed for 12 months prior to the date of the loan application
4. If unacceptable credit is identified, look at mitigating factors to unacceptable credit:
 - a. The potential Borrower provides documentation to evidence that the outstanding delinquency or unpaid account has been paid or settled or the potential Borrower has

entered into a satisfactory repayment arrangement or debt management plan and been current for at least 12 consecutive months prior to the date of Mortgage Loan.

- b. The potential Borrower submits to the Department a written explanation of the cause for the previous delinquency, which has since been brought current and is acceptable to the Executive Director or his or her designee.
- c. Any and all outstanding judgments must be released prior to closing of Mortgaged Loan.
- d. If a potential Borrower is currently participating in a debt management plan, and the trustee or assignee provides a letter to the Department stating they are aware and agree with the potential borrower applying for a Mortgage Loan. If a potential Borrower filed a bankruptcy, the bankruptcy must have been discharged or dismissed more than 12 months prior to the date of Mortgage Loan application and the potential Borrower has re-established good credit with at least one existing or new active consumer account or credit account that is in good standing with no delinquencies for at least 12 months prior to the date of Mortgage Loan application.
- e. If a Chapter 13 Bankruptcy was filed, a potential Borrower must have satisfactorily made 12 consecutive payments and obtain court trustee's written approval to enter into Mortgage Loan.

Part 2. Total Monthly Obligations

After it is determined that a Borrower has satisfactory credit to obtain a TDHCA Mortgage Loan, the Administrator must determine the total monthly debt and obligations (liabilities) to be entered into the Loan Analysis.

1. Liabilities are the total monthly payment obligations of the Borrower, Co-Borrower(s), and Non-Purchasing Spouse.
2. Non-revolving debts with 10 or fewer monthly payments remaining may be excluded IF no payments were delinquent within 12 months of the loan application date.
3. Non-revolving debts paid off prior to closing may be excluded if verification of the payoff is provided.
4. Debts which can be verified to be deferred for at least 12 months from the date of closing may be excluded
5. Refer to the table below when determining the monthly payment obligations.

Account Type	Example	Payment Calculation
Revolving Account	Credit Card, payday loans, and open-ended lines of credit	<ol style="list-style-type: none">a. Minimum payment shown on report.b. If no minimum payment is listed: The greater or 5% of the outstanding balance or \$10; orc. Amount shown on current monthly statement
Installment Accounts (not deferred)	Student loans, personal loans, mortgages, auto loans	<ol style="list-style-type: none">a. Minimum payment reflected on the credit reportb. If no minimum payment is listed on credit report, amount shown on monthly statement
Installment Account (deferred for less than 12 months from date of loan closing or in forbearance)	Student loans, personal loans, mortgages, auto loans	Lesser of: <ol style="list-style-type: none">a. Minimum payment reflected on the credit reportsb. 1% of the outstanding balance
Court Ordered Obligations	Child support, spousal support, any other court mandated payments	Monthly amount shown on court order

Part 3. Loan Tool - Qualifying Income Worksheet

Qualifying Income is the total gross monthly income of borrowers and co-borrowers calculated in accordance with the Program guidelines of the Borrower and Co-Borrower(s).

Qualifying Income may be less than the income utilized to demonstrate eligibility for the HOME Program, as this definition excludes certain income for the purposes of mortgage loan underwriting. Note that for credit underwriting purposes all debts and obligations of the primary potential Borrower(s) and the "non-purchasing" spouse will be considered in the potential Borrower's total Debt-to-Income Ratio.

The Borrower is the primary borrower as decided by the household. The Co-Borrower(s) is the secondary borrower, and may be a spouse, parent, adult child, or other household member that will live in the house and contribute to the housing payment. If the Borrower is married and the spouse will live in the home, but will not be listed as a Co-Borrower on the note, their income would be excluded on the Qualifying Income Worksheet, but their debts will be included in the Debt-to-Income ratio and they will have to execute a deed of trust.

1. Annual Wages/Salary – Include the gross amount of annual wages and salary shown on the HIC for the Borrower and Co-Borrower.
 - a. Exclude any bonuses, commissions, or other adjustments that are not expected to continue annually.
 - b. If the income is from employment that has not been in place for at least 12 months, the income must be excluded unless it can be documented that the earner has been consistently employed and has a stable work history.
 - c. Stable work history may be documented by submission of [Verifications of Employment](#) from previous employers for a period of at least 12 months OR by submission of federal tax returns evidencing stable income from employment.
 - i. Any gaps in employment that exceed 30 days must be explained. The Borrower(s) should submit a letter indicating the reason for the gap in employment.
2. Retirement/Pension/Annuity/Trust – Include the gross amount of annual payments to the Borrower(s) on the HIC for monthly payments from retirement, pension, annuity, and trust accounts if these payments are expected to be received for 24 months or more. Exclude the payments if they are temporary or will expire within 24 months.
3. Social Security, SSI, SSDI, VA Benefit, Other Benefits – Include the gross amount of annual payments to the Borrower(s) on the HIC for monthly payments from Social Security, SSI, SSDI, VA Benefits, or other public benefits if these payments are expected to be received for 24 months or more. Exclude the payments if they are temporary or will expire within 24 months.

4. Court-Ordered Payments – Include the gross amount of court-ordered payments to the Borrower(s), including but not limited to child support and spousal support, which is actually received by the household if these payments are expected to be received for 24 months or more. Exclude the payments if they are temporary or will end within 24 months.

Part 4. Loan Tool - Buyer's Closing Cost Estimator

The Buyer's Closing Cost Estimator will assist with determining the amount of closing costs to budget for the project, and will auto-populate into the Loan Analysis worksheet. Complete the form with the following information:

Part 1. General Information			
Number	Requested Information	Document(s) Needed to Complete:	Completion Instructions
1.1	Recording Fees and Other Taxes	N/A	Recording fees are charged by the County Clerk when recording documents. For HANC, the average number of pages to record will be 25.
1.2	Appraisal Fee	Appraiser's Invoice/Quote	Enter the total amount to be paid to the appraiser based on the quote/invoice
1.3	Credit Report Fee	N/A	Enter the amount (if any) to be charged to the borrower for purchase of credit report(s)
1.4	Flood Determination Fee	N/A	Enter the amount charged (if any) to obtain flood determination certificate. The flood certificate is not required for the HOME Program, but may be required by other lenders.
1.5	Pest Inspection Fee (Rehab Only)	Inspector's Invoice/Quote	Enter the amount of the invoice/quote from any pest inspection service. Pest inspections are not required for the HOME Program, but may be required by other lenders.
1.6	Survey Fee	Surveyor's Invoice/Quote	Enter the total amount to be charged by the surveyor.
1.7	Tax Status Research Fee	N/A	Enter the total amount to be charged by the title company for the tax status research fee.
1.8	Title - Insurance Binder	Title Commitment	Enter the cost of the owner's title policy from the title commitment.
1.9	Title - Lender's Title Policy	Title Commitment	Enter the cost of the lender's title policy from the title commitment.
1.10	Title - Settlement Agent Fee	N/A	Enter the amount to be charged by the title company for the settlement agent fee.
1.11	Title - Title Search Fee	N/A	Enter the amount to be charged by the title company for the title status fee
1.13	Other Costs Not Itemized Above	N/A	Enter any other amount(s) to be charged by the title company connected to the loan closing.

Part 2. Prepaid Insurance			
Number	Requested Information	Document(s) Needed to Complete:	Completion Instructions
2.1	Homeowner's Insurance (Annual)	Homeowner's Insurance Quote or Binder	Enter the amount shown for a full year of coverage from the homeowner's insurance quote or binder.

Part 3. Escrow			
Number	Requested Information	Document(s) Needed to Complete:	Completion Instructions
3.1	Homeowner's Insurance (2 months)	N/A	The required 2 months of insurance escrow will auto-calculate by dividing the annual homeowner's insurance amount from line 2.1 by 6.
3.2	Property Tax Rate	N/A	Enter the total property tax rate. This information may be obtained from the taxing jurisdiction(s).
3.3	Appraised Value (After Improvements)	Post-Construction/Rehabilitation Appraisal	Enter the amount shown as the post-improvement value of the property from the appraisal.
3.4	Monthly Property Taxes	N/A	The monthly property tax estimate will auto-calculate by multiplying the value in line 3.3 by the tax rate in line 3.2, then dividing the result by 12.
3.5	Property Taxes (2 months)	N/A	The required 2 months of property tax escrow will auto-calculate by multiplying the monthly property taxes in line 3.4 by 2.

Part 5. Loan Tool - HOME Homebuyer Assistance with New Construction or Rehab Loan Analysis

Part 1. General Information			
Number	Requested Information	Document(s) Needed to Complete:	Completion Instructions
1.1	Administrator Name	N/A	Administrator name will auto-populate from the Qualifying Income Worksheet (QIW).
1.2	Contract/Reservation Activity Number	HOME RSP Agreement	Contract/Reservation Activity number will auto-populate from the QIW.
1.3	Household Name	Intake Application	Household name will auto-populate from the QIW.
1.4	County	N/A	Select the county in which the property will be located from the drop-down list
1.5	Applicable HOME Rule Year	N/A – The HOME Rule Year is determined by the date of submission.	Select the applicable HOME Rule Year from the drop-down list
1.6	Project Type	N/A	<p>Select the project type from the drop-down list:</p> <p>Acquisition with MHU Placement: Homebuyer will purchase real property upon which a new unit of manufactured housing will be placed.</p> <p>Acquisition with New Construction: Homebuyer will purchase real property upon which a new unit of housing will be constructed.</p> <p>Acquisition with Rehabilitation: Homebuyer will purchase a property with an existing home which will be rehabilitated</p> <p>MHU Placement: Homebuyer will purchase an MHU to be placed on real property they already own, but do not occupy.</p> <p>New Construction: Homebuyer already owns non-owner occupied real property upon which a new unit of housing will be constructed.</p> <p>Rehabilitation: Homebuyer</p>

			already owns non-owner occupied real property with an existing home which will be rehabilitated.
1.7	Number of Bedrooms	Plans and Specifications	Select the number of bedrooms from the drop-down list
1.8	HOME Subsidy Limit (Maximum HOME Funds Limitation)	N/A	The HOME Subsidy Limit will auto populate when the bedroom size is selected in line 1.7.

Part 2. Cost and Value Summary			
Number	Requested Information	Document(s) Needed to Complete:	Completion Instructions
2.1	Acquisition Cost of Real Property	Purchase Contract, if applicable	Enter the purchase price reflected on the sales contract.
2.2	Estimated Closing Costs (Settlement Charges)	Closing Cost Estimator Worksheet	Estimated closing costs will auto-populate from the Buyer's Closing Cost Estimate.
2.3	Hard Construction Costs	Accepted Builder's Bid or Final Cost Estimate	Enter the total amount of hard costs from the Accepted Builder's Bid or Final Cost Estimate.
2.4	Post-Construction/Rehabilitation Appraised Value	Post-Construction/Rehabilitation Appraisal	Enter the amount shown as the post-improvement value of the property from the appraisal.
2.5	Purchase Price Limit/Value Limitation (effective 4/9/2019)	N/A	The purchase price value limitation will automatically populate when the project type is selected in row 1.6
2.6	Maximum Mortgage Loan Amount	N/A	The maximum mortgage loan amount based on cost will auto-calculate by adding the acquisition cost, estimated closing costs, and hard construction costs.
2.7	Soft Costs	N/A	Estimate of project soft costs as limited by 10 TAC 23.81(g): New Construction: no more than \$11,500 per housing unit; or

			Replacement with an MHU: no more than \$5,000 per housing unit; Rehabilitation: \$8,500 per housing unit. Lead-Based Paint mitigation: As approved prior to submission.
2.8	Total Project Costs	N/A	The total project costs will auto-calculate by adding the acquisition cost, estimated closing costs, hard construction costs, and soft costs.

Part 3. Current Income and Debt Service			
Number	Requested Information	Document(s) Needed to Complete:	Completion Instructions
3.1	Annual Qualifying Income	Completed Household Income Certification; Source Documents	The Annual Qualifying Income will auto-populate from the QIW.
3.2	Monthly Qualifying Income	N/A	The monthly qualifying income will auto-calculate by dividing the annual qualifying income by 12.
3.3	Annual Total Household Income	Household Income Certification	Enter the gross household income. (This may be more than the qualifying income.)
3.4	Monthly Total Household Income	N/A	The monthly total household income will auto-calculate by dividing the annual total household income by 12.
3.5	Percentage of AMFI	Household Income Certification; Current HOME Program Income Limits	Select whether the total annual household income exceeds 50% AMFI from the drop-down list. Households with total annual income at or below 50% AMFI may spend not less than 15% of gross income on PITI; households with total annual income greater than 50% AMFI may spend not less than 20% of gross annual income on PITI.
3.6	Total monthly recurring debt and obligations (exclusive of PITI)	Credit Reports for Borrower, Co-Borrower(s), and non-purchasing spouse;	Enter the total monthly recurring debt and obligations calculated in accordance with Part 2 of this guide.

		Child and spousal support orders; other documents as applicable	
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Part 4. Loan Ratio Requirements		
Number	Item Calculated	Calculation Information
4.1	Minimum PITI	The minimum PITI will auto-calculate by multiplying the total monthly household income by 15% for households at or below 50% AMFI, or by multiplying the total monthly household income by 20% for households with income greater than 50% AMFI.
4.2	Maximum Debt-to-Income Amount (45% of qualifying monthly income)	The maximum amount of qualifying monthly income that may be utilized toward debts, obligations, and PITI will auto-calculate by multiplying the Monthly Qualifying Income by 45%.
4.3	Monthly Income Available for PITI	The Monthly Income Available for PITI will auto-calculate by deducting the total monthly recurring debts and obligations from the maximum debt to income amount.
4.4	Minimum First Lien Mortgage Amount	The minimum first-lien mortgage amount will auto-calculate based on the minimum PITI, monthly property insurance, property taxes, and homeowner association fees.
4.5	Maximum First Lien Mortgage Amount	The maximum first-lien mortgage amount will auto-calculate based on the monthly income available for PITI, monthly property insurance, property taxes, and homeowner association fees.

Part 5. Mortgage Loan Terms			
Number	Requested Information	Document(s) Needed to Complete:	Completion Instructions
5.1	First Lien Interest Rate (maximum 5%)	N/A	Enter the first-lien interest rate recommended. Begin by entering a 0% rate, and increase the rate after completion of the remainder of the sheet only if the household must pay an interest rate above 1% in order to meet the minimum PITI requirements.
5.2	Amortization/Term (years) (must be between 15 and 30)	N/A	Enter the recommended term of the loan, in number of years. The term must be between 15 and 30

			years. The number may be adjusted up or down in order to find the best financing structure for the household. Generally, start with a 30-year term. The term may be adjusted up or down in order to find a loan term and payment that is eligible and that the household agrees with. For example, a household may be able to afford the loan with a 20 year term, but prefers a lower payment, in which case the term could be extended for up to 30 years.
5.3	Monthly Property Insurance	N/A	The monthly insurance cost will auto-populate from the Buyer's Closing Cost Estimator.
5.4	Monthly Property Taxes	N/A	The monthly property taxes will auto-populate from the Buyer's Closing Cost Estimator.
5.5	Monthly Homeowner Association Fees	Homeowner's Association documents	Enter the monthly amount of any required homeowner's association dues.
5.6	Estimated Closing Costs (Settlement Charges)	N/A	The Estimated Closing Costs cell will auto-populate from the Buyer's Closing Cost Estimator.
5.7	Total estimated PITI	N/A	The total estimated PITI will auto-populate utilizing information entered in related to the costs, term, interest rate, and monthly insurance, taxes, and fees.
5.8	Other Sources of Funds used for Project e.g., earnest money, Match, and other financing sources	Various	Enter the total amount of other funds used for project costs, such as earnest money paid by the buyer as reflected in the purchase contract, and any additional grant or loan funding.
5.9	Loan Amount	N/A	The loan amount will auto-calculate by deducting the amount entered in line 5.8 from the costs included in the loan.
5.10	Estimated PITI including all funding sources	N/A	The estimated PITI will auto-calculate utilizing the loan amount, interest rate, term, and monthly insurance, taxes, and fees.

Part 6. Financing Structure Eligibility		
Number	Eligibility Factor	Explanation
6.1	Does available income allow for at least Minimum PITI (line 3.2)?	If the homebuyer's existing debt and obligations are more than 20% or 25% of their monthly qualifying income, dependent on their AMFI, the cell will read "NO" and turn red. This means that the homebuyer is not eligible to participate in the program at this time, but may qualify if they reduce their monthly debts and obligations.
6.2	Does loan structure meet minimum required front-end ratio?	<p>If the PITI in the proposed project does not equal either 15% or 20% of the gross household income, the project would provide too much subsidy to the household, and the cell will read "NO" and turn red.</p> <p>This may be able to be resolved by either reducing the loan term, or, if the loan term is already set to 15 years, adding an interest rate to the loan until the buyer would not be considered over subsidized.</p> <p>If the loan term is 15 years, and the interest rate is 5%, the project is not eligible at the existing cost level and household income.</p>
6.3	Is the Back-End Ratio less than 45%?	<p>If the total PITI combined with the existing monthly obligations exceed 45% of the monthly qualifying income, the cell will read "NO" and turn red.</p> <p>This may be resolved by increasing the loan term to up to 30 years, reducing the interest rate, adding additional non-TDHCA funds to the project in line 5.8, or some combination thereof.</p> <p>If the loan term is already 30 years, and the interest rate is already 0%, the project is not eligible at the existing cost level and household income.</p> <p>This means that the homebuyer is not eligible to participate in the program at this time, but may qualify if they reduce their monthly debts and obligations.</p>
6.4	Is the post-completion appraised value greater than or equal to acquisition and project hard costs?	If the post-completion appraised value is less than the acquisition cost and hard construction costs, the cell will read "NO" and turn red.

		The project is not eligible to proceed at the proposed cost. The cost may not exceed the value.
6.5	Are the total project costs less than the HOME Subsidy Limit?	If the total project costs, including soft costs, exceed the HOME subsidy limit shown in line 1.8, the amount of HOME funds contributed to the project must be reduced, and non-HOME contributions to the project must be reflected in line 5.8

Part 6. Loan Tool - HOME Single Family Development Loan Analysis

The HOME Single Family Development (SFD) Loan Analysis must be completed twice for each project. The analysis must be submitted with estimates in some categories with the project setup prior to closing of the Lot Acquisition and Interim Construction (LAIC) loan, and must be submitted again with final numbers within the Homebuyer Loan Closing packet after construction is complete.

Part 1. General Information			
Number	Requested Information	Document(s) Needed to Complete:	Completion Instructions
1.1	CHDO Name	N/A	CHDO name will auto-populate from the Qualifying Income Worksheet (QIW).
1.2	Contract Number	HOME RSP Agreement	Contract/Reservation Activity number will auto-populate from the QIW.
1.3	Household Name	Intake Application	Household name will auto-populate from the QIW.
1.4	County	N/A	Select the county in which the property will be located from the drop-down list
1.5	Applicable HOME Rule Year	N/A – The HOME Rule Year is determined by the date of submission.	Select the applicable HOME Rule Year from the drop-down list
1.6	Project Type	N/A	Select the project type from the drop-down list:
1.7	Purchase Price Limit/Value Limitation (effective 4/9/2019)	N/A	The purchase price value limitation will automatically populate when the project type is selected in row 1.6
Part 2. Cost and Value Summary			
Number	Requested Information	Document(s) Needed to Complete:	Completion Instructions
2.1	Acquisition Cost of Real Property/Current Value of Real Property	Purchase Contract for Lot OR Appraisal for currently owned lot	Enter either the purchase amount for the contract for sale between the owner and the CHDO or the value of the lot before improvements as shown on the appraisal
2.2	LAIC Closing Costs	For initial completion prior to project commencement: Estimate from title company/Information from purchase contract For completion prior to the Homebuyer Loan Closing:	For initial completion for the analysis submitted with project setup, enter the estimated amount required to close the LAIC loan. For completion prior to the homebuyer loan closing after

		LAIC Closing Disclosure	construction is complete, enter the final amount that was required to close the LAIC loan as shown on the Closing Disclosure.
2.3	Hard Construction Costs	<p>For initial completion prior to project commencement: Accepted construction bid or Final Cost Estimate</p> <p>For completion prior to the Homebuyer Loan Closing: Invoices for all construction costs.</p>	Enter the total amount of hard costs from the accepted construction bid/Final Cost Estimate the total amount of actual construction costs, as applicable.
2.4	Developer Fee	N/A	<p>Enter the total amount of requested developer fee.</p> <p>For initial completion, this may be an estimate based on the accepted builder's bid or Final Cost Estimate.</p> <p>For completion prior to the homebuyer loan closing after construction is complete, the final amount of developer fee should be entered.</p> <p>Developer fee is limited to 15% of construction hard costs.</p>
2.5	Total Development Costs	N/A	The Total Development Costs (TDC) will auto-populate by adding lines 2.1-2.4.
2.6	Developer's Anticipated Closing Costs for the Homebuyer Closing	<p>For initial completion prior to project commencement: HOME Setup workbook</p> <p>For completion prior to the Homebuyer Loan Closing: Homebuyer loan Closing Disclosure prepared by CHDO or title company.</p>	<p>For initial completion for the analysis submitted with project setup, enter the estimated amount the CHDO will request in the budget for their portion of the homebuyer closing costs as identified in the HOME Setup workbook.</p> <p>For completion prior to the homebuyer loan closing after construction is complete,</p>

			enter the amount of seller's closing costs as identified on the homebuyer loan Closing Disclosure.
2.7	Post-Construction/Rehabilitation Appraised Value	Post-Construction/Rehabilitation Appraisal	Enter the amount shown as the post-improvement value of the property from the appraisal.
2.8	Sales Price	N/A	The sales price (price to be included on the purchase contract between the CHDO and the buyer) will auto-populate by selecting the lesser of the TDC or appraised value after completion.
2.9	Maximum Subsidy Provided as a Grant to Developer	N/A	The maximum subsidy provided as a grant to the Developer will auto-populate and includes the Developer's closing cost incurred at the Homebuyer Closing and the amount of TDC which exceeds the appraised value of the unit.

Part 3. Current Income and Debt Service			
Number	Requested Information	Document(s) Needed to Complete:	Completion Instructions
3.1	Annual Qualifying Income	Completed Household Income Certification; Source Documents	The Annual Qualifying Income will auto-populate from the QIW.
3.2	Monthly Qualifying Income	N/A	The monthly qualifying income will auto-calculate by dividing the annual qualifying income by 12.
3.3	Annual Total Household Income	Household Income Certification	Enter the gross household income. (This may be more than the qualifying income.)
3.4	Monthly Total Household Income	N/A	The monthly total household income will auto-calculate by dividing the annual total household income by 12.
3.5	Percentage of AMFI	Household Income Certification; Current HOME Program Income Limits	Select whether the total annual household income exceeds 50% AMFI from the drop-down list.

3.6	Total monthly recurring debt (exclusive of PITI)	Credit Reports for Borrower, Co-Borrower(s), and non-purchasing spouse; Child and spousal support orders; other documents as applicable	Enter the total monthly recurring debt and obligations calculated in accordance with Part 2 of this guide.
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Part 4. Single Family Development Loan Ratio Requirements		
Number	Item Calculated	Calculation Information
4.1	Maximum PITI (30% of Monthly Total Income)	The maximum PITI will auto-calculate by multiplying the Monthly Total Income in line 3.4 by 30%.
4.2	Minimum PITI (20% of Monthly Total Income)	The minimum PITI will auto-calculate by multiplying the Monthly Total Income in line 3.4 by 20%.
4.3	Maximum Debt-to-Income Amount (45% of qualifying monthly income)	The maximum amount of qualifying monthly income that may be utilize toward debts, obligations, and PITI will auto-calculate by multiplying the Monthly Qualifying Income by 45%.
4.4	Monthly Income Available for PITI	The Monthly Income Available for PITI will auto-calculate by deducting the total monthly recurring debts and obligations from the maximum debt to income amount.
4.5	Minimum First Lien Mortgage Amount	The minimum first-lien mortgage amount will auto-calculate based on the minimum PITI, monthly property insurance, property taxes, and homeowner association fees.
4.6	Maximum First Lien Mortgage Amount	The maximum first-lien mortgage amount will auto-calculate based on the monthly income available for PITI, monthly property insurance, property taxes, and homeowner association fees.

Part 5. Mortgage Loan Terms			
Number	Requested Information	Document(s) Needed to Complete:	Completion Instructions
5.1	First Lien Interest Rate (maximum 5%)	N/A	Enter the first-lien interest rate recommended. Begin by entering a 0% rate, and increase the rate after completion of the remainder of the sheet only if the household must pay an interest rate above 1% in order to meet the minimum PITI requirements.
5.2	Amortization/Term (years)	N/A	The loan term for SFD must be 30 years when the first lien is financed by TDHCA. This cell is auto-populated with the required term.

5.3	Monthly Property Insurance	N/A	The monthly insurance cost will auto-populate from the Buyer's Closing Cost Estimator.
5.4	Monthly Property Taxes	N/A	The monthly property taxes will auto-populate from the Buyer's Closing Cost Estimator.
5.5	Monthly Homeowner Association Fees	Homeowner's Association documents	Enter the monthly amount of any required homeowner's association dues.
5.7	Estimated Settlement Charges to Buyer	N/A	The Estimated Closing Costs cell will auto-populate from the Buyer's Closing Cost Estimator.
5.8	Total estimated PITI without second lien assistance	N/A	The total estimated PITI without second lien assistance will auto-populate by calculating the total monthly payment excluding any requested TDHCA second-lien.
5.9	Maximum Deferred Forgivable Loan Amount	N/A	The maximum deferred forgivable loan amount will auto-populate by calculating the amount of second-lien assistance the household may be eligible for based on project costs and household income.
5.10	Requested Deferred Forgivable Loan	N/A	Enter the total amount of funds requested as a deferred forgivable loan. This amount may not exceed the maximum amount calculated. A second-lien may only be offered when the household is ineligible for assistance without the additional subsidy.
5.11	Other Sources of Funds used for Downpayment or Closing Costs	Various	Enter the total amount of other funds used for project costs, such as earnest money paid by the buyer as reflected in the purchase contract and any additional grant or loan funding.
5.12	First Lien Amount	N/A	The first lien amount will auto-populate based on the project costs, other funding sources, and the amount of any requested deferred loan.
5.13	Estimated PITI WITH second lien assistance and other sources	N/A	The PITI will auto-calculate based on the amount of the first lien, interest rate, and additional monthly costs in lines 5.3-5.5.

Part 6. Financing Structure Eligibility		
Number	Eligibility Factor	Explanation
6.1	Does available income allow for at least Minimum PITI?	If the homebuyer's existing debt and obligations are more than 25% of their monthly qualifying income, the cell will read "NO" and turn red. This means that the homebuyer is not eligible to participate in the program at this time, but may qualify if they reduce their monthly debts and obligations.
6.2	Is PITI less than maximum allowed PITI?	If the PITI for the first lien loan is more than 30% of the household's Total Monthly Income, this cell will read "NO" because the household may not participate if the PITI is greater than 30%. If the interest rate is 0% and the maximum deferred loan amount has been requested, costs must be reduced to lower the purchase price or the household may not be eligible to participate at this time.
6.3	Is household eligible for requested second lien assistance?	If a deferred loan is requested that exceeds the allowed amount, this cell will read "NO" and turn red. This means that the amount of the requested deferred loan must be reduced.
6.4	Does loan structure meet minimum required front-end ratio?	<p>If the PITI in the proposed project does not equal 20% of the Total Monthly household income, the project would provide too much subsidy to the household, and the cell will read "NO" and turn red.</p> <p>This may be able to be resolved by adding an interest rate to the loan until the buyer would not be considered over-subsidized.</p> <p>If the interest rate is 5%, the project is not eligible at the existing cost level and household income.</p>
6.5	Is the Back-End Ratio less than 45%?	<p>If the total PITI combined with the existing monthly obligations exceed 45% of the monthly qualifying income, the cell will read "NO" and turn red.</p> <p>This may be resolved by reducing the interest rate, adding additional non-TDHCA funds to the project in line 5.11, or some combination thereof.</p> <p>If the interest rate is already 0%, and there are not additional funds to supplement the project, the project is not eligible at the existing cost level and household income.</p> <p>This means that the homebuyer is not eligible to participate in the program at this time, but may qualify if they reduce their monthly debts and obligations.</p>